2009/2010

Annual Report

UMSHWATHI MUNICIPALITY

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uMshwathi Municipality

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Wartburg
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Co-ordinates
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LONGITUDE 30°31'37.05"E

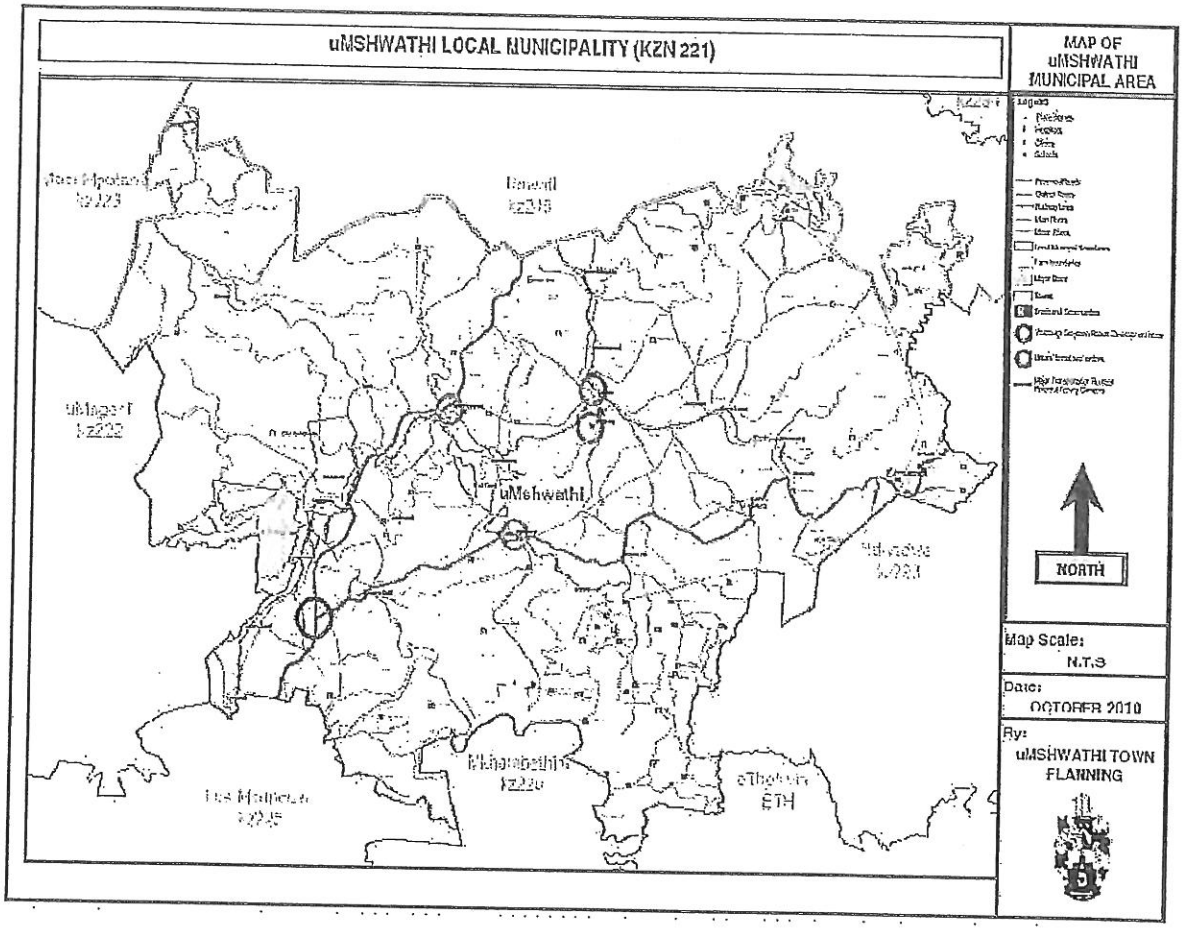
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LOCALITY MAP AND STATISTICS



HOUSEHOLDS						
Wards	Formal	Informal	Traditional	Backyard	Other	Total
1	2,416	78	753	150	4	3,401
2	1,118	120	88	59	13	1,398
3	548	36	1,586	9	7	2,186
4	953	35	1,114	150	9	2,261
5	820	16	871	91	1	1,799
6	490	13	1,227	23	3	1,756
7	1,740	144	193	113	33	2,223
8	1,430	35	1,246	63	3	2,777
9	354	594	786	119	1	1,854
10	1,143	62	1,197	194	1	2,597
11	320	26	975	256	2	1,579
Total	11,331	1,159	10,036	1228	77	23,831

Chapter 1

Introduction and Overview

This Annual Report of uMshwathi Local Municipality, specific to the **financial year July 2009 – June 2010**, provides inter alia, an overview of the key deliverables and outputs of the Departments within the Municipality as well as the annual financial statements which were submitted to the Auditor-General for audit purposes. This report is in line with Chapter 12 of the Municipal Finance Management Act No. 56 of 2003, which deals specifically with "***Financial Reporting and Monitoring***". Of importance in the preparation of the annual report, is clause 121(2) which outlines the purpose of the report whilst sub-clauses 121(2) (a), (b) and (c), as detailed below, underpin the report preparation:-

- *"To provide a record of the activities of the municipality or municipal entity during the financial year to which the report relates,*
- *To provide a report on performance against the budget of the municipality or municipal entity for that financial year, and*
- *To promote accountability to the local community for the decisions made throughout the year by the municipality or municipal entity".*

Bearing in mind that limited financial and other resources are common across municipalities in South Africa, uMshwathi has endeavoured to service the needs of its people within such circumstances while at the same time, ensuring that its financials were not undermined in any way. Hence, the period 2009/10 resulted in uMshwathi Municipality receiving for a third consecutive year, an **Unqualified Report** from the Auditor-General regarding the management of the Municipality's finances. The recommendations and advisory comments attached to the Auditor-General's opinion, are being implemented.

There is no doubt that without the visionary political leadership and administrative capability within uMshwathi Municipality, the results mentioned above, would have been otherwise. Hence, a great deal of appreciation and thanks is extended to all concerned for the co-ordinated effort to meet the Municipality's challenges and adhering to all legislative requisites on the Municipality.

Submission and tabling of the Annual Report for the 2009/2010 financial year

This annual report has been prepared in terms of Chapter 12, section 127 of the Local Government Municipal Finance Management Act no. 56 of 2003, as amended, for submission and approval by the Council.

Legislative mandate

The primary legislative mandate of the municipality is determined by Chapter 7, section 151 (2) of the constitution of the Republic of South Africa, which states that:-

The municipality must strive within its administrative and financial capacity to meet its local government objectives of:

- Providing democratic and accountable government for local communities,
- Ensuring sustainable provision of services to communities,
- Promoting a safe and healthy environment and,
- Encouraging communities to become involved in local government matters.

The constitution also requires municipalities to structure and manage their administrations, budgeting and planning processes in such a manner as to;

- Prioritize the basic needs of the communities,
- Promote the social and economic development and
- Participate in national and provincial development programmes.

These constitutional mandates are also re-enforced by section 73 (1) of the Local Government: Municipal Systems Act no. 117 of 1998, as amended.

The constitution is further supported by the following Acts which were created solely for the benefit of and furtherance of the municipality's constitutional mandate;

- Municipal Structures Act No. 117 of 1998,
- Municipal Systems Act No. 32 of 2000,
- Municipal Finance Management Act No. 56 2003,
- Municipal Property Rates Act No. 6 of 2004,
- Development Facilitation Act
- Division of Revenue Act

Acronyms

AG	:	Auditor General
MM	:	Municipal Manager
CFO	:	Chief Financial Officer
DFA	:	Development Facilitation Act
EXCO	:	Executive Committee
GM	:	General Manager
IDP	:	Integrated Development Plan
MFMA	:	Municipal Finance Management Act
MANCO	:	Management Committee
SCM	:	Supply Chain Management
SDBIP	:	Service Delivery Budget Implementation Plan
IGR	:	Inter Governmental Relations
PMS	:	Performance Management System

Foreword by the Mayor

Mr Speaker, Members of EXCO, Members of Council, Officials, Ladies and Gentlemen.

The 2009/2010 financial year marks the second but last year before the expiration of the current Council's mandate to govern the affairs of the people of uMshwathi Municipality. We cannot but be proud and grateful to our people for the honor bestowed on us to lead this municipality to where it is today as we prepare to pass the baton to the new leadership that will be given a mandate to continue with the very important task of service delivery from whence we shall have left it.

Notwithstanding the challenges which inhibited our pace and strength to deliver more and ensure better life for all our people, this Council prides itself in that some critical service delivery milestones were achieved during the year in question. In this regard, communities who previously did not have community halls, crèches, proper roads and tarred roads had these infrastructure built for them by the municipality. Free basic electricity was extended to more qualifying households and for the first time, we were able to commence with electrification of Thokozane location in Ward 1. The project was funded by the municipality from its revenue as there was no immediate positive response from government agencies that are entrusted with this responsibility in terms of powers and functions.

Regrettably, the processes involved in housing projects are long and protracted as there are strenuous legal requirements that have to be complied with before houses are built on the ground. In this regard, the rural housing projects of Mhlambandlovu, Trust Feed, Efaye, Masihambisane and Swayimane are nearing Stage 1 completion and this will lead to Stage 2 which forms part of the construction phase.

The Thokozane housing project is beset with many defects and this has been reported to the Department of Human Settlements. The matter is now being dealt with by management in collaboration with the officials from the department. It is the view of this Council that the poor workmanship of the houses in Thokozane is to be fully investigated so that whoever is responsible is made to account as we cannot afford to let our people receive this kind of service.

Cllr. B.M. Gwala
Mayor

Foreword by the Municipal Manager

In keeping with the legal framework within which local government operates, municipalities are required to compile an annual report which serves as a report back mechanism undertaken on a particular financial year. In this regard, this foreword lays a foundation for the exposé of uMshwathi Municipality's service delivery operations for the 2009/2010 financial year.

Of note during the financial year in question, is the fact that the whole world was beset with the global financial meltdown which started to subside during the latter part of the financial year. This situation placed many institutions, government and private, under intense pressure as disposable income shrank massively and impacted negatively on all business operations. uMshwathi Municipality was no exception.

The uMshwathi Municipality, being a vastly rural municipality, depends on government grants as well as on very limited rates base in order to meet its constitutional mandate for delivering basic services to its populace. The increasing unemployment as well as the inability of the employed to honor their financial commitments to the municipality as a result of the effects of the global economic meltdown meant even lesser income was available to meet service delivery needs of the people of uMshwathi.

Notwithstanding the financial challenges enunciated above, the municipality made some significant strides in ensuring that service delivery continued and this was achieved through good co-operation between internal and external stakeholders. In this regard, the municipality's sincere gratitude goes to all residents of the municipality for their co-operation and understanding during this difficult period. The ratepayers as well as the farmers within our area of jurisdiction deserve huge acknowledgement for their continued support and constructive and robust engagements during a series of meetings held. Management and staff played a pivotal role in ensuring that the municipality moved forward while the political leadership continued playing its legal and constitutional mandate. No word of gratitude can fully explain the commitment and dedication of all councillors and staff who kept the ship afloat during the financial year in question.

Mr M.V Cebekhulu
Municipal Manager

Overview of the Municipality

SPATIAL LOCATION AND DEMOGRAPHICS

uMshwathi is one of seven local municipalities within uMgungundlovu District and is ideally situated adjacent to Pietermaritzburg the Capital city of KwaZulu-Natal Province. uMshwathi Municipality covers a ground area of about 1 811 square kilometres with a total population of 113,054 residing in 23831 households as detailed in table 1 above (source Stats SA 2006 community survey). The municipality is the second largest in the district in terms of the population after Msunduzi Municipality.

The jurisdiction area of the municipality comprises of eleven Wards which are predominantly located in agricultural landscape used mostly for growing timber and sugar-cane. The balance of the area is used for rural-residential settlements with three semi-urban economic hubs, namely Dalton New Hanover and Wartburg.

EDUCATIONAL LEVELS AND EMPLOYMENT STATUS

A major proportion of the population of uMshwathi Municipality aged above 20 years has absolutely no schooling. This accounts for 29, 2 percent of out of a total of 55 993. This is compounded by the fact that 27, 9 percent has just attained some primary education. What this reveals is that literacy levels of the population are low and require strategic intervention in future. The other worrying point is that only 3, 2 percent has attained a level of education above standard 10 or Grade 12. This has serious implications in terms of the overall skills profile of the area. (Statistics SA Community Survey 2006).

Of the total of 35 530 economically active segments of the population, 43, 7 percent were classified as unemployed. This is a serious social challenge when consideration is taken of the reality that 66, 6 percent of households were said to earn between 0 – R800 per month and therefore, considered poor as they were living below poverty datum line.

Stats SA Community Survey (2006) also revealed that of the total of 35 530 economically active population 43.7% were classified as unemployed. The levels of education have been

determined as low reflecting limited access to employment opportunities. 66% of the households earn between R0-R800 and therefore live below the poverty line. This correlates with the low wages in the agricultural sector. The agricultural sector is the main employer in the municipality employing 55% of the economically active population. As of March 2006 the minimum wage in the agricultural sector is R885.00. Low incomes, insecure jobs, high dependency ratios and unemployment rates mean that many people in need of housing in uMshwathi depend largely on the housing subsidy to meet their housing needs.

The seven strategic priorities of our municipality are

- Community participation
- Good governance
- HIV/Aids
- Local economic development and job creation
- Poverty alleviation
- Safety and security
- Housing development

Vision

"uMshwathi Owethu – Lets Build Together".

Mission

"Provider of Municipal services for better quality of life for all"

The operation of our municipality is bolstered by resolute adherence to the following values and principles to ensure sustainable services delivery to the community:

Values

In all its activities, uMshwathi Municipality strives to make the "Batho Pele principles" a living reality by

- Caring and putting people at the centre stage of all development processes;
- Being democratic, open and transparent;

- Adhering to high standards of integrity and morality;
- Supporting anti-corruption drive
- Constantly improving its business processes in pursuit of excellence and best practice; and
- Supporting development of staff and councillors as a necessary condition for strengthening local governance.

ECONOMIC PROFILE

Economy

The uMshwathi Municipality has in the last three years identified a number of lead projects aimed at turning around the economy of uMshwathi. Amongst these projects are the rehabilitation and development of the towns in the Municipality, middle to high-income housing projects as well as the development of a road corridor linking the N2 and N3 and traversing uMshwathi Municipality. The possibility of developing new economic nodes in the Municipality is also being considered.

Further objectives relating to a broadening of the Municipality's economic base involve identifying and supporting alternative economic ventures. The strategies adopted are developing investment opportunities, building on tourism initiatives and helping small and medium-sized local enterprises to succeed.

Development Objectives

A key development objective is the focused implementation of land reform, so as to develop a vigorous farming sector in the Municipality. Strategies include finding means of helping poverty-stricken families to sustain themselves through farming; improving security of tenure in rural communities; and providing greater access to commercial agriculture to previously disadvantaged people. The key economic sectors of the municipality are now being outlined below.

Agriculture

The importance of the agricultural belt in uMshwathi cannot be overemphasized. Sugar Cane is the predominant agricultural pursuit, with some 250 farmers and two mills processing around two million tons of cane annually. Further export initiatives have seen this 'staple' expand to include avocado pears and kiwi- fruit.

Manufacturing

Manufacturing activities are mainly related to agricultural processing activities, notably sugar and timber processing activities, and to a lesser extent processing and manufacturing of food.

Tourism

Within the uMshwathi municipality area there is a number of tourism outlets, a hotel with a German bias and history, coffee shops, craft outlets, inns, guest houses and B&B establishments in and around the village centres, including wedding and function facilities. The nearby settlement of New Hanover boasts one of our province's oldest schools and one of very few to be proclaimed a National Monument. Beyond New Hanover, some 100-kilometres of inter-linked trails with overnight huts have been developed into the singular experience of Blinkwater Trails by co- operation between conservation bodies and the timber industry. There is much of both historic and botanical interest on the plateau, with hikers skirting waterfalls and lakes while traversing scenic grasslands and indigenous forest.

Leadership (Council and Executive)

The function of Council and Executive Committee (EXCO) within the municipality is to govern and oversee the implementation of its constitutional and legislative mandates. The EXCO and its operational committee's receive reports from management and deal with operational matters in terms of their delegated powers and report to Council.

The council consists of 22 Councillors. Council meetings are held every two months to receive and consider reports from EXCO and to deal with matters entrusted to it by the Constitution of the Republic of South Africa.

EXCO meetings are normally held monthly and committee's constituted by it meet in terms of arrangements determined by EXCO. Senior Management (Municipal Manager and the General Managers) attend all Council meetings and those of its Committees to provide advice and guidance in order to ensure that proper and informed decisions are taken.

COMMITTEES

Full Council	Seat type	Party
B M Gwala ~Mayor	Ward11	ANC
S S Zondi ~Dep. Mayor	PR	ANC
G S Maseko ~Speaker	Ward 4	ANC
M P Dlamini	Ward 1	ANC
N P Nene	Ward 2	ANC
B E Mbatha	Ward 3	ANC
X F Maphumulo	Ward 5	ANC
A T Thusi	Ward 6	ANC
R Mungroo	Ward 7	ANC
M J Mkhize	Ward 8	ANC
M Goba	Ward 9	ANC
M M Nkala	Ward 10	ANC
C B Khonney	PR	ANC
D A Ndlela	PR	ANC
A G Solomon	PR	ACDP
E W Eggers	PR	DA
T A Hlatshwayo	PR	DA
V M Mncwabe	PR	IFP
T I Gabela	PR	IFP
S.C Gabela	PR	IFP
T P Phakathi	PR	IFP
V I Gumede	PR	IFP

SUB-COMMITTEES

EXECUTIVE COMMITTEE (EXCO)

- Councillor B.M. Gwala (Chairperson)
- Councillor S.S Zondi
- Councillor M.J Mkhize
- Councillor T.I Gabela

FINANCE COMMITTEE

- Councillor B.M. Gwala (Chairperson)
- Councillor E.W. Eggers
- Councillor V.M. Mncwabe
- Councillor C. B khonney

HUMAN RESOURCES AND SOUND GOVERNANCE COMMITTEE

- Councillor S.S. Zondi (Chairperson)
- Councillor M. Goba
- Councillor I.V. Gumede
- Councillor M M Nkala

INFRASTRUCTURE AND COMMUNITY SERVICES COMMITTEE

- Councillor M.J. Mkhize (Chairperson)
- Councillor R. Mungroo
- Councillor T.A. Hlatshwayo
- Councillor S.C. Gabela
- Councillor A T Thusi
- Councillor B E Mbatha

ECONOMIC DEVELOPMENT AND PLANNING COMMITTEE

- Councillor T.I. Gabela (Chairperson)
- Councillor A.G. Solomon
- Councillor D.A. Ndlela

- Councillor N.P. Nene
- Councillor M P Dlamini
- Councillor X F Maphumulo

AUDIT COMMITTEE

The audit committee comprises of four independent members of society. The committee acts in accordance with written terms of reference as confirmed by the Council, which sets outs its authority and duties. The primary mandate of the committee is to evaluate the municipality's systems of internal controls, to review accounting policies and financial information to be issued to the public, to review the effectiveness of the performance management system. The committee reviews the financial statements before they are submitted to council and discusses these results with the external auditors. The council approves the results based on the recommendations of the audit committee. The Municipal Manager and the Chief Financial Officer attend meetings of the committee as invitees when required.

- Ms L Robertson (Chairperson)
- Prof Stobie
- D. Mncwabe
- M. Ngcobo

The Municipality is still working on the possibility of employing an HR Specialist the Audit Committee in its expanded role of Performance Monitoring as approved by Council.

Chapter 2

Administration

The following table indicates the functional breakdown of the various departments within the municipality.

Department	Function
Municipal Manager	◦ Economic Growth and Development ◦ Internal Audit ◦ Integrated Development Plan ◦ Communication and ◦ Town Planning
Corporate Services	◦ Human Resources ◦ Record Management ◦ Administration Support ◦ Committee Support And ◦ Information, Communication And Technology
Community Services	Traffic Motor Licensing Bureau Cemetery Management Youth Affairs, Health Care Housing and Disaster Management
Financial Services	◦ Budgeting ◦ Revenue ◦ Expenditure ◦ Valuation ◦ Supply Chain Management
Technical Services	◦ Refuse collection ◦ Roads ◦ Infrastructure ◦ Operations and maintenance

Good Governance and Public Participation

COUNCIL MEETINGS HELD FOR THE PERIOD JULY 2009 – JUNE 2010						
COUNCIL	EXCO (and joint finance & HR)	FINANCE (and joint Infrastructure)	HUMAN RESOURCES	ECONOMIC DEVELOPMENT & PLANNING	INFRASTRUCTURE & COMMUNITY	LOCAL LABOUR FORUM
28-08-2009	15-07-2009	14-07-2009	07-07-2009	14-07-2009	21-07-2009	26-08-2009
09-12-2009	29-07-2009	30-09-2009	26-08-2009	07-10-2009	04-09-2009	11-11-2009
23–12-2009	12-08-2009	15-03-2010	30-10-2009	16-02-2010	20-10-2009	28-05-2010
29-01-2010	27-08-2009		06-11-2009	15-06-2010	25-11-2009	25-06-2010
26-03-2010	16-09-2009		13-05-2010		10-02-2010	
30-04-2010	01-10-2009		21-06-2010		25-03-2010	
28-05-2010	03-11-2009				09-06-2010	
30-06-2010	26-11-2009				23-06-2010	
	03-12-2009					
	18-03-2010					
	25-03-2010					
	19-04-2010					
	25-05-2010					
TOTAL NO. OF MEETINGS PER COMMITTEE						
8	13	3	6	4	8	4

Public Participation

Public participation plays a pivotal role in services delivery and is one of the key sound governance principles. UMshwathi Municipality has had a number of regular engagements with local communities through their ward committees to ensure that their inputs were taken into consideration in the formulation of the municipality's programs and plans such as the IDP.

The municipality deploys all means available at its disposal to enhance a broader community participation in its activities and programs including service delivery. The following are some of the modes of communication that were utilized during the reporting period:

- Community structures (ward committees)
- Print Media (newspapers and various other publications)
- Radio station

- The Municipal website which is constantly updated
- Public gatherings like Izimbizo

Structure / Publication	Stakeholders	Objections/ functions	Frequency
Ward Committee Meetings	◦ Ward councilors (Chairpersons) ◦ Ward committee members (Elected from the community) ◦ Community ◦ Senior management ◦ personnel of municipality	◦ Informing the community of council decisions, municipal activities etc. ◦ Community informing ward councilor / municipality of their concerns.	Quarterly
Public meetings/ Izimbizo	◦ Mayor and councilors ◦ Community ◦ Senior management ◦ personnel of municipality	◦ Informing the community ◦ of council decisions, ◦ community rights ◦ and duties, municipal ◦ affairs etc. ◦ Community informing ◦ Councilors and officials of their issues.	Annual
Council meetings (open to public)	◦ Mayor and councilors ◦ Senior management ◦ Personnel of municipality	◦ To formulate policy decisions ◦ Exercise oversight role ◦ Consider community contributions	Quarterly
IDP and budget Engagements	◦ Mayor and councilors ◦ Community ◦ Senior management ◦ Personnel of municipality	◦ Obtaining community input on the content of IDP and proposals ◦ Informing the community of IDP and budget related matters	Annual
Notices	◦ Community ◦ Personnel of municipality	◦ Informing the general public and personnel on municipal matters	As required

The uMshwathi Municipality also participates actively in the following IGR structures:

- Municipal Managers' Forum : (Municipal manager)
- District Waste Management Forum : (GM Technical Services)
- District Technical Cluster : (GM Technical Services)
- CFO's forum : Chief Financial Officer)

Chapter 3

Human Resources and Organisational Management

The human resources section is responsible for formulating objectives, practices, and policies to meet both short-term and long-term objectives, needs and opportunities, to guide and lead the change process; and to evaluate Human Resources contributions to municipality's effectiveness in services delivery.

The following are the key functional areas for Human Resources:

- Labour relations
- Compensation and benefits

- Training and development
- Strategic management
- Workforce planning/employment, and
- Occupational health and safety.
- Employee Assistance Program (EAP)
- Employment equity
- *Custodian*? of human resource policies Registry?

Staff Complement

Department	2010/2009	2009/2008
Municipal Manager	11	11
Community services	35	28
Corporate services	20	16
Technical services	73	68
Financial services	14	14
Total	153	137

Chapter 4

Performance Highlights

This chapter gives account of the municipality's performance against priorities that were set on its IDP with a special focus to basic service delivery to address current needs as well as backlogs. It gives account of the municipality's spending on capital projects, the role as well as highlights on spending priorities for the following year.

DEPARTMENT OF CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS

ANNUAL CONSOLIDATED MUNICIPAL PERFORMANCE REPORT

NAME OF MUNICIPALITY: uMshwathi Municipality

FINANCIAL YEAR ENDED: 30 JUNE 2010

Priority Area	National KPA	No.	Indicators	Unit of Measure/ Calculation	Annual			Annual		Blockages	Corrective Measures	Support needed in terms of unblocking	Source of Information
					Demand	Baseline	Backlog	Target	Progress Achieved				
Access to Basic (or higher) Water	Basic Service Delivery and Infrastructure Development	1	Number of Households with access to basic (or higher) levels of water	No. of Households	22110	14208	7902	4000	3656	Insufficient funding	UMDM has engaged Umgeni Water for the implementation of a new bulk water supply pipeline from PMBurg to Dalton	Increased funding allocation for UMDM from MIG.	UMDM IDP document and uMshwathi Municipality's Turn Around Strategy document
Access to Free Basic Water		2	Number of households with access to free basic water	No. of Households	UMDM	UMDM	UMDM	3000	2500	Community members not registering	Councillors to assist in getting qualifying community members to register	None	uMshwathi Municipality's Turn Around Strategy document
Access to Basic (or higher) Sanitation		3	Number of Households with access to basic (or higher) levels of sanitation	No. of Households	22110	UMDM	5944	UMDM	UMDM	Insufficient funding	UMDM has embarked on extensive sourcing of funding from external donors.	Increased funding allocation for UMDM from MIG.	uMshwathi Municipality's Turn Around Strategy document
Access to Free Basic Sanitation		4	Number of households with access to free basic sanitation	No. of Households	UMDM	UMDM	UMDM	UMDM	UMDM	N/A	N/A	N/A	N/A
Access To basic (or higher) Electricity		5	Number of Households with access to basic (or higher) levels of electricity	No. of Households	22110	13485	8625	ESKOM	ESKOM	Insufficient funding & insufficient capacity	More engagements with the DoE and ESKOM funding allocation	None	uMshwathi Municipality's Turn Around Strategy document
Access to Free Basic Electricity		6	Number of households with access to free basic electricity	No. of Households	6000	2000	6000	3000	2000	Community members not registering	Councillors to assist in getting qualifying community members to register	None	uMshwathi Municipality's Turn Around Strategy document
Access to Basic (or higher) Refuse Removal and Solid Waste disposal		7	Number of Households with access to basic (or higher) refuse removal	No. of Households	22110	3800	18310	All Areas	Limited	Insufficient funding provision in O&Mbudget	Allocate more budget for operations	Request allocation of subsidy from other gov departments	uMshwathi Municipality's Turn Around Strategy document
Access to municipal roads		8	Kilometers of new municipal roads constructed	Kilometers	N/A	N/A	N/A	11,5	11,5	Insufficient funding	Increase MIG funding	More funding allocation	Tender documentation
Access to municipal roads		8 (a)	Kilometers of municipal roads maintained	Kilometers	N/A	N/A	N/A	12	12	Insufficient budget allocated for O&M Budget	Allocate more budget for maintenance	Request allocation of subsidy from other government agencies	Tender documentation
Human Settlements		9	No. of new houses constructed	No. of Households	2500	5 stage 1 projects	6000	0	0	Delays in land acquisition	Resolve land ownership problems	CoGTA's speedily engagement with	uMshwathi Municipality's Turn
Formalization of informal settlements		10	No. of households in informal settlements provided with water	No. of Households	UMDM	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		11	No. of households in informal settlements provided with Sanitation	No. of Households	UMDM	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		12	No. of households in informal settlements provided with Electricity	No. of Households	ESKOM	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Disaster Management		13	Number of disasters prevented, mitigated and preparedness	No. of Disasters prevented	UMDM	N/A	N/A	N/A	Munic performed co-ordination role	N/A	N/A	N/A	N/A
		14		No. of Disasters mitigated	UMDM	N/A	N/A	N/A	Munic performed co-ordination role	N/A	N/A	N/A	N/A
		15		% Preparedness	UMDM	N/A	N/A	N/A	Munic performed co-ordination role	N/A	N/A	N/A	N/A
Repairs and maintenance		16	Service delivery interruptions per type of service (time per quarter) and no. of households affected	No. of interruptions	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		17		No. of Households	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		18	Quarterly collection rate on billings	% Collection rate *(Total receipts for services/ Total billings for services)*	N/A	N/A	N/A	90	75	The culture of non-payment	Applied stricter debt collection measures	Assistance from CoGTA in resolving the issue of Govt Depts debt	Finance reports

DEPARTMENT OF CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS

ANNUAL CONSOLIDATED MUNICIPAL PERFORMANCE REPORT

NAME OF MUNICIPALITY: uMshwathi Municipality | **FINANCIAL YEAR ENDED: 30 JUNE 2010**

Priority Area	National KPA	No.	Indicators	Unit of Measure/ Calculation	Annual			Annual		Blockages	Corrective Measures	Support needed in terms of unblocking	Source of Information
					Demand	Baseline	Backlog	Target	Progress Achieved				
Access to Basic (or higher) Water	Basic Service Delivery and Infrastructure Development	1	Number of Households with access to basic (or higher) levels of water	No. of Households	22110	14208	7902	4000	3656	Insufficient funding	UMDM has engaged Umgeni Water for the implementation of a new bulk water supply pipeline from PMBurg to Dalton	Increased funding allocation for UMDM from MIG.	UMDM IDP document and uMshwathi Municipality's Turn Around Strategy document
Access to Free Basic Water		2	Number of households with access to free basic water	No. of Households	UMDM	UMDM	UMDM	3000	2500	Community members not registering	Councillors to assist in getting qualifying community members to register	None	uMshwathi Municipality's Turn Around Strategy document
Access to Basic (or higher) Sanitation		3	Number of Households with access to basic (or higher) levels of sanitation	No. of Households	22110	UMDM	5944	UMDM	UMDM	Insufficient funding	UMDM has embarked on extensive sourcing of funding from external donors.	Increased funding allocation for UMDM from MIG.	uMshwathi Municipality's Turn Around Strategy document
Access to Free Basic Sanitation		4	Number of households with access to free basic sanitation	No. of Households	UMDM	UMDM	UMDM	UMDM	UMDM	N/A	N/A	N/A	N/A
Access To basic (or higher) Electricity		5	Number of Households with access to basic (or higher) levels of electricity	No. of Households	22110	13485	8625	ESKOM	ESKOM	Insufficient funding & insufficient capacity	More engagements with the DoE and ESKOM funding allocation	None	uMshwathi Municipality's Turn Around Strategy document
Access to Free Basic Electricity		6	Number of households with access to free basic electricity	No. of Households	6000	2000	6000	3000	2000	Community members not registering	Councillors to assist in getting qualifying community members to register	None	uMshwathi Municipality's Turn Around Strategy document
Access to Basic (or higher) Refuse Removal and Solid Waste disposal		7	Number of Households with access to basic (or higher) refuse removal	No. of Households	22110	3800	18310	All Areas	Limited	Insufficient funding provision in O&Mbudget	Allocate more budget for operations	Request allocation of subsidy from other gov departments	uMshwathi Municipality's Turn Around Strategy document
Access to municipal roads		8	Kilometers of new municipal roads constructed	Kilometers	N/A	N/A	N/A	11,5	11,5	Insufficient funding	Increase MIG funding	More funding allocation	Tender documentation
Access to municipal roads		8 (a)	Kilometers of municipal roads maintained	Kilometers	N/A	N/A	N/A	12	12	Insufficient budget allocated for O&M Budget	Allocate more budget for maintenance	Request allocation of subsidy from other government agencies	Tender documentation
Human Settlements		9	No. of new houses constructed	No. of Households	2500	2500	6000	0	0	Delays in land acquisition	Resolve land ownership problems	CoGTA's speedily engagement with relevant Sector depts	uMshwathi Municipality's Turn Around Strategy document
Formalization of informal settlements		10	No. of households in informal settlements provided with water	No. of Households	UMDM	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		11	No. of households in informal settlements provided with Sanitation	No. of Households	UMDM	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		12	No. of households in informal settlements provided with Electricity	No. of Households	ESKOM	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Disaster Management		13	Number of disasters prevented, mitigated and preparedness	No. of Disasters prevented	UMDM	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		14		No. of Disasters mitigated	UMDM	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		15		% Preparedness	UMDM	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Repairs and maintenance		16	Service delivery interruptions per type of service (time per quarter) and no. of households affected	No. of interruptions	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		17		No. of Households	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
		18	Quarterly collection rate on billings	% Collection rate *(Total receipts for services/ Total billings for services)*	N/A	N/A	N/A	90	75	The culture of non-payment	Applied stricter debt collection measures	Assistance from CoGTA in resolving the issue of Govt Depts debt	Finance reports

DEPARTMENT OF CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS

ANNUAL CONSOLIDATED MUNICIPAL PERFORMANCE REPORT

NAME OF MUNICIPALITY: uMshwathi Municipality | **FINANCIAL YEAR ENDED: 30 JUNE 2010**

Priority Area	National KPA	No.	Indicators	Unit of Measure/ Calculation	Annual			Annual		Blockages	Corrective Measures	Support needed in terms of unblocking	Source of Information
					Demand	Baseline	Backlog	Target	Progress Achieved				
Revenue Management	Financial Viability and Financial Management	19	Percentage growth in revenue collected by the municipality as a % of projected revenue target	% Growth in revenue collected *(Actual revenue collected for this quarter/ Targeted revenue collection for this quarter) - (Actual revenue collected previous quarter/ Targeted revenue collected previous quarter) x 100%*	N/A	N/A	N/A	100	100	N/A	N/A	N/A	Finance reports
		20	% of budgeted revenue for property rates collected (Implementation of the Municipal Property Rates Act, 2004 (Act no. 6 of 2004)	% Property rates collection *(Total property rates received for the quarter/ Total property rates budgeted for the quarter) x 100*	N/A	N/A	N/A	100	80	Incorrect data of rate payers, culture of non payment	Update debtors' database	Assistance from CoGTA in resolving the issue of Govt Depts debt	Finance reports
		21	Grants as a % of revenue received	% Achieved *(Total grants received/ Total revenue received) x 100*	N/A	N/A	N/A	66	60	None	N/A	None	Finance reports
Debt Management		22	R debtors outstanding as a % of revenue received for services	% Achieved *(Total outstanding debtors/ Actual revenue received for services) x 100*	N/A	N/A	N/A	98	110	N/A	N/A	None	Finance reports
		23	% of debt over 90 days	% of debtors >90 days *(Total outstanding debtors >90days/ Total outstanding debtors) x 100*	N/A	N/A	N/A	10	40	Culture of non-payment	Enforce strict debt collection procedures	Assistance from CoGTA in resolving the issue of Govt Depts debt	Finance reports
		24	Debtors collected as a % of money owed to the municipality	% Debtors collections *(Actual revenue received for services/ Total outstanding debtors) x 100*	N/A	N/A	N/A	100	75	Culture of non-payment	Enforce strict debt collection procedures	Assistance from CoGTA in resolving the issue of Govt Depts debt	Finance reports
		25	Debt coverage	Ratio *((Total operating revenue received) - (operating grants received)/ debt service payments due, including interest and capital)*	N/A	N/A	N/A	05:01	06:01	N/A	N/A	N/A	N/A
		26	Cost coverage	Ratio *((All available cash at a particular time) + (Investments)/ Monthly fixed operating expenditure)*	N/A	N/A	N/A	1.1	1.1	N/A	N/A	N/A	N/A
Expenditure Management		27	Quarterly operational expenditure as a % of planned expenditure	% Achieved *(Actual operational expenditure for this quarter/ Budgeted operational expenditure for this quarter) x 100*				100	104				
		28	Quarterly capital expenditure as a % of planned capital expenditure	% Achieved *(Actual capital expenditure for this quarter/ Budgeted capital expenditure for this quarter) x 100*				100	53				
		29	% of operational budget spent on repairs and maintenance (Is this for the quarter or year to date?)	% Achieved *(Total repairs and maintenance expenditure/ Total operational budget) x 100*				5	7				
		30	Quarterly repairs and maintenance expenditure	Rand value				R2,3m	R3,4m				
		31	MIG expenditure as a % of annual allocation (Is this for the quarter or year to date?)	% Achieved *(Actual MIG expenditure for the quarter/ Annual allocation) x 100*				100	100				

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NAME OF MUNICIPALITY: uMshwathi Municipality

FINANCIAL YEAR ENDED: 30 JUNE 2010

Priority Area	National KPA	No.	Indicators	Unit of Measure/ Calculation	Annual			Annual		Blockages	Corrective Measures	Support needed in terms of unblocking	Source of Information
					Demand	Baseline	Backlog	Target	Progress Achieved				
		32	% of a municipality's capital budget actually spent on capital projects (Is this for the quarter or year to date?)	% Spent *(Total spending on capital projects / Total capital budget) x 100*									
Unqualified audit		33	Annual Audit Opinion (2nd quarter only)	Qualified				100	53				
		34		Unqualified: Unqualified									
		35		Disclaimer					Unqualified				
Integrated Development Planning	Municipal Transformation and Institutional Development	36	Timeous adoption of IDP	Yes/No: Yes									
		37		Date adopted 28/05/09					Yes				
		38	Timeous adoption of Budget	Yes/No: Yes					28/05/2009				
		39		Date adopted: 28/05/09					Yes				
		40	Timeous adoption of SDBIP	Yes/No: Yes					28/05/2009				
		41		Date adopted					Yes				
		42	Reliable and credible IDP	Yes/No: Yes					14-Jul-10				
Administration	Financial Viability and Financial Management	43	Timeous submission of Annual Financial Statements	Yes/No: Yes					Yes				
		44		Date submitted					Yes				
		45	Timeous submission of Annual Report	Yes/No: Yes					31/08/2010				
		46		Date submitted					Yes				
		47	Updated and credible Asset Register	Yes/No: Yes					31/01/2011				
	Municipal Transformation and Institutional Development	48	Functional OPMS	Yes/No: Yes					Yes				
	Financial Viability and Financial Management	49	Updated and credible Indigent Register	Yes/No: Yes					Yes				
		50	Financial controls applied to ensure usage is monitored/ limited to Indigent Policy	Yes/No: Yes					Yes				
Reduced Corruption	Financial Viability and Financial Management	51	Functional Supply Chain Management system	Yes/No: Yes					Yes				
		52	Anti-corruption strategy implemented by target date	Yes/No: Yes					No				
		53		Date implemented					N/A				
Labour Relations	Municipal Transformation and Institutional Development	54	Percentage of critical posts filled	% of critical posts *(Number of critical posts filled/ Total number of critical posts on the organogram) x 100*	N/A	40	60	100	80	None	None	None	Corporate Services Reports
		55	Percentage of critical posts with signed performance agreements	% of signed performance agreements *(Total number of signed performance agreements for critical posts/ Total number of critical posts on the organogram) x 100*	N/A	40	60	100	80	None	None	None	Corporate Services Reports
		56	Acceptable level of functionality of Local Labour Forum	Yes/No: Yes					Yes				
		57		No. of meetings held				4	4				
		58	Budget Spent on Workplace Skills Plan	% Spent (Actual amount spent on WSP/ Budgeted amount for WSP) x 100				60	40	Financial constraints	More budget allocation in 2010/11	None	Corporate Services files
		59	Number of people from employment equity target groups employed in the three highest levels of management	No. - Municipal Manager				N/A	N/A				
		60		No. - S57 Managers				1	0				
		61		No. - S56 Managers				1	1				
		62	Number of suspensions in the three highest levels of management	No. - Municipal Manager				0	0				
		63		No. - S57 Managers				0	0				
		64		No. - S56 Managers				0	0				
Public Participation	Good Governance, Community Participation and Ward Committee Systems	65	% of functional Ward Committees in terms of the new model	% Achieved *(Number of functional Ward Committees/ Total Number of Ward Committees) x 100*				100	100				
		66	Number of Ward Committee management meetings held and percentage attendance by members	No. of meetings				4	3				
		67		% attendance achieved				100	70				

DEPARTMENT OF CO-OPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS

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FINANCIAL YEAR ENDED: 30 JUNE 2010

Priority Area	National KPA	No.	Indicators	Unit of Measure/ Calculation	Annual			Annual		Blockages	Corrective Measures	Support needed in terms of unblocking	Source of information
					Demand	Baseline	Backlog	Target	Progress Achieved				
		68	Number of community meetings held	No. of meetings				4	4				
Enabling environment for growth and development	Local Economic Development	69	No. of jobs created through Capital Works Plan	No. of jobs	N/A	N/A	N/A	120	151	N/A	N/A	N/A	Project files
		70	Number of Wards per municipality implementing the Capital Works Plan	No. of Wards	N/A	N/A	N/A	11	9	N/A	N/A	N/A	Project files
		71	Number of Co-operatives established and still functional in Wards where CWP is implemented	No. of Co-operatives				0	0				
		72	LED Strategy adopted	Yes/No					Yes				
		73		Date adopted					28/052009				
		74	LED Strategy and plans are aligned with PGDS	Yes/No					Yes				
		75	Jobs created through the Municipality's LED activities	No of jobs				40	0				

INDICATORS:

REGULATED

Municipal Turnaround Strategy

NAME OF OFFICIAL: _____

SIGNATURE OF OFFICIAL: _____

DESIGNATION OF OFFICIAL: _____

DATE: _____

Chapter 5

Functional Services Delivery Report

This chapter deals with how each of the municipality's departments has performed in service delivery in their respective key performance areas which were set out the during 2008/09 financial year.

The municipality Key Performance Areas (KPA's) Are as follows:

- Basic Services Delivery
- Municipal Institutional Development And Transformation
- Local Economic Development
- Financial Viability and Management
- Good Governance and Public Participation

During the reporting period the Municipality budgeted an amount R36,9 million for capital expenditure and R55,3 million for operational expenditure towards fulfilment of its service delivery responsibility. The total amount spent was R68,6 million (Capital R19,3 million and Operational R49,3 million) The performance achievements as measured against these objectives are detailed hereunder

Department: Office of the Municipal Manager

The Municipal Manager is responsible for corporate Strategy and the drafting, management and implementation of Council's resolutions including the implementation of Integrated Development Plan (IDP). The Office of the Municipal Manager also strives to maintain and enhance the relationship between the political and administrative structures of the Council and promotes good governance and innovations in the areas of communication, strategic planning, information and knowledge management.

Located in the office of the municipal manager, are the following functions:

FUNCTION 1: INTEGRATED DEVELOPMENT PLAN (IDP) AND PERFORMANCE MANAGEMENT SYSTEM (PMS)

The IDP/PMS unit is primarily responsible for driving the IDP process, which in essence entails the strategic planning for the municipality's development agenda in accordance with its powers and functions.

The Situational Analysis section of uMshwathi Municipality's 2009/2010 IDP indicates that the economy of uMshwathi is mainly sugarcane farming and timber plantations, with beef and poultry farming as the other major sectors.

Also shown is that the municipality has a serious backlog of water and sanitation, road infrastructure, housing and electrification.

Other socio-economic challenges of the municipality include a high rate of unemployment, a high rate of poverty and a high rate of illiteracy and skills shortage.

As a result of these socio-economic challenges, the municipality is always under constant pressure from the local community for the delivery of these services.

Although some of the projects are the competency of the District Municipality and various government departments, uMshwathi Municipality often finds itself in a precarious position of having to intervene when the District and departmental programs fail to meet the pressing needs of the local community.

During the 2009/10 financial year, the IDP review process started with the preparation and adoption of the IDP Process Plan, followed by consultation of communities through Public Participation meetings in each of uMshwathi Municipality's eleven wards. Ward Development Needs section of the IDP document serves as the primary input into the IDP/Budget processes. The schedule of IDP Ward Consultative meetings was as follows:

UMSHWATHI MUNICIPALITY'S 2009/2010 IDP REVIEW –
PUBLIC PARTICIPATION MEETINGS

WARD	DATE	TIME	VENUE	Ward Councillor
1	22 February 2009	10h00	Albert Falls Primary School	Cllr MP Dlamini
2	01 March 2009	10h00	New Hanover Community Hall	Cllr NP Nene
3	16 February 2009	10h00	INadi Community Hall	Cllr BE Mbatha
3	16 February 2009	14h00	Mt Elias Community Hall	Cllr BE Mbatha
4	03 March 2009	10h00	KwaNtanzi Community Hall	Cllr GS Maseko
5	05 March 2009	10h00	Mathulini Community Hall	Cllr XF Maphumulo
6	19 February 2009	10h00	Mabheleni Hall	Cllr AT Thusi
7	27 February 2009	11h00	Cool Air Community Hall	Cllr R Mungroo
8	07 March 2009	08h00	Trust Feed Community Hall	Cllr MJ Mkhize
8	07 March 2009	13h00	Mpolweni Community Hall	Cllr MJ Mkhize
9	24 February 2009	10h00	Mambedwini Hall	Cllr M Goba
10	02 March 2009	10h00	Mbava/Tholeni Community Hall	Cllr MM Nkala
11	12 February 2009	10h00	Oqaqeni Community Hall	Cllr BM Gwala

Subsequent to the adoption of the draft IDP document at the 29th March 2009, the community was afforded another opportunity to make inputs into the final IDP through written and verbal comments at the respective wards public participation meetings. Thereafter, the final IDP was adopted by Council on the 28th May 2009.

The Performance Management System was realigned to the municipal IDP. The PMS policy framework was revised and adopted by Council in August 2009. This function entails the development and upholding of a Performance Management System in accordance with the revised policy framework. The implementation and roll-out of the uMshwathi Municipality's Performance Management System was realized during the 2009/2010 financial year as most of the top management positions had been filled and performance contracts signed.

During the year under review (2009/2010) four of the five Section 57 positions had been filled – these being the Municipal Manager (Mr MV Cebekhulu), the General Manager Technical Services (Mr A Weymouth), the Chief Financial Officer (Mr R Mani), and the General Manager Community Services (Mr M Zondi).

A report putting forward proposed arrangements for the annual evaluation of Section 57 employees in compliance with Regulation 27 (4) (d) and (e) of the Municipal Performance Regulations for Municipal Managers and Managers Directly Accountable to the Municipal Manager, 2006 – was adopted by Council.

The abovementioned Regulations stipulate that the annual assessment of Section 57 employees must be conducted by separate Evaluation Panels for Municipal Managers and General Managers. The composition of these Panels as per Council resolution would be as follows:

Municipal Managers (MM)	General Managers (GMs)
a) Mayor b) Chair of the Performance Audit Committee or Audit Committee c) Member of EXCO d) Mayor and / or MM of another Municipality e) Member of a Ward Committee nominated by the Mayor	a) Municipal Manager b) Chair of the Performance Audit Committee or Audit Committee c) Member of EXCO d) MM of another Municipality

The evaluation process, together with an indicative rating scale is set out in the Section 57 Managers' Performance Agreements as well as the approved Performance Management Policy. The possible amounts (in percentages) to be paid in performance bonuses resulting from the evaluation process are dealt with in Part B, paragraph 4 of the Section 57 Managers' Performance Agreements.

FUNCTION 2: ECONOMIC GROWTH AND DEVELOPMENT

The municipality has a mandate to support local economic development, to support local SMME'S and Cooperatives, to promote tourism, to empower women and the youth, to

promote job creation; as well as the alleviation of poverty amongst the residents of uMshwathi.

The Economic Growth and Development Unit is responsible for the delivery on this mandate. During this financial year, the unit had only one staff member viz. the Economic Growth and Development Manager.

The highlights for the 2009/10 financial year include the following:

Tourism Promotion

Over the years, the municipality has been promoting the local tourism by supporting the publication of four tourism brochures viz. KwaZulu-Natal Business, KwaZulu-Natal South Africa, Ambles and Wie Was Wo (distributed in Germany). However, for the 2009/10 financial year, Council decided to focus the financial support to The Amble magazine. This magazine has a particular focus on uMshwathi tourism businesses.

The Municipality has begun working closely with the local tourism outlets. Before the end of the financial year, the municipality hosted an information-sharing session with students from Sweden that were accommodated at a local guest farm in Appelsbosch.

Similar sessions are planned to take place every time there are foreign guests at the farm. Plans are afoot to form an LED Forum which will bring the established tourism operators, the bead makers, crafters and dancers closer and thus make cooperation easier.

Support to Local Small and Medium Enterprises & Cooperatives

The development and sustainability of small businesses contributes to economic development of an area. The municipality therefore provides support to SMMEs and cooperatives in ways ranging from capacity building to the provision of information and advice.

During this financial year, the municipality organized a workshop for the local emerging contractors. The purpose of the workshop was to assist the participants with information and tactics that would improve their chances of success, particularly on landing government

and municipal tenders. Forty five people attended the workshop. The feedback was that they learnt a lot from the workshop; and it also gave them an opportunity to network with each other and share their experiences.

The workshop gave the municipality a better understanding of the challenges facing the emerging contractors and SMMEs in general. This information puts the municipality in better stead to plan appropriate interventions for the emerging contractors and the SMMEs in general.

In order to coordinate efforts aimed at assisting the SMMEs and business in general, the Economic Growth and Development unit is planning to facilitate the formation of the local LED Forum. The local SMMEs will be represented in the forum. This will ensure that the interests of the SMMEs are taken into consideration in all planning efforts of the municipality.

Skills Development

Examples of the contribution of the municipality to the capacity building and skills development in uMshwathi include the basic carpentry training for 15 members of the local youth. The project is collaboration between the municipality and the uMgungundlovu FET College (uFET College). The participants form part of a pool of youth from which 22 delegates will be selected for training on furniture making in Vietnam.

The training in Vietnam is planned to take place in February 2011. In terms of the MOU signed by the municipality and a Vietnamese company (TTFC), the training will be provided by TTFC free-of-charge. The municipality is responsible for the recruitment, travel and subsistence of the delegates.

Towards the end of the financial year under review, the municipality recruited about 165 local youth for the Basic Computing Learnership sponsored by the Isett Seta. The group is made up of youth from all the eleven wards of the municipality.

The computer Learnership will improve the chances of employment and access to business opportunities for the participants. This in turn will have a positive a impact on the general socio-economic lives of the people of uMshwathi.

Investment promotion

As reported in the 2008/09 Annual Report, the municipality has been working on various projects involving Vietnamese Companies. In June 2010, a delegation comprising of representatives of the municipality, TIKZN and local investors met the representatives of two Vietnamese Companies in Vietnam.

The purpose of the visit was to rekindle the interest of the Vietnamese Companies on projects including the establishment of a furniture factory and a fibre cement roofing tiles factory in uMshwathi.

The municipality signed an MOU with Truong Thanh Furniture Company (TTFC). The MOU details the cooperation on the establishment of the furniture factory, the furniture making skills transfer to the local youth and the establishment of a showroom for the Vietnamese products in South Africa.

The municipality is currently working with the TIKZN, and DTI to assist the local investors in taking the process forward to realize the aspirations of Council viz. the creation of job and business opportunities for the people of uMshwathi.

The Environmental Management Framework Project that is funded by the Municipality is not finalized yet. The completion of this project will have a positive impact on investment because it will fast track the development applications in the new node that Council is promoting at the intersection of R33 and R614.

FUNCTION 3: TOWN AND REGIONAL PLANNING

In accordance with new legislation (KwaZulu Natal Planning & Development Act No. 6 of 2008), all municipalities within the Province must consult the opinion/ recommendation of a Registered Town & Regional Planner, when making decisions on development matters.

The uMshwathi Municipality has in its employ, such a Planner who is registered with the South African Council for Planners (SACPLAN) in terms of the Planning Profession Act No. 36 of 2002.

The activities of the Municipality's Town Planning section are aimed at providing the people of uMshwathi with the greatest possible opportunities and choices with respect to living, working, shopping, education and entertainment opportunities whilst:

- achieving a balance between meeting people's needs and the capacity of uMshwathi's physical and economic resources;
- being responsive to the differing values, perceptions and desires of the residents;
- promoting the attainment of visual beauty, environmental quality and a sense of place; and
- conserving the natural environment.

Within this context, the Municipality's Town Planning Section endeavours to encourage development that is appropriate and compliant with the Integrated Development Plan and Spatial Development Framework as well as complying with all legislative planning and development application procedures. Of key importance in assessing all applications, are the principles of sustainability, feasibility and long-term benefit to the people of uMshwathi. From minor subdivisions or changes in land use, to rezoning and large-scale developments, the Town Planning Section provides the necessary guidance and support to all uMshwathi inhabitants, developers and investors.

The financial year 2009/ 2010 has brought numerous applications varying in terms of type, nature and scale to the Town Planning Section. The following table provides an overview:-

CATEGORY	APPLICATIONS OUTSTANDING 1 JULY 2009	NUMBER OF APPLICATIONS RECEIVED 2009/10	TOTAL VALUE OF APPLICATIONS RECEIVED (MARKET- RELATED RANDS)	APPLICATIONS OUTSTANDING 30 JUNE 2010
RESIDENTIAL ESTATE DEVELOPMENTS	1	4	± R 500 000 000	0
SCHEME REZONING	2	2	± R20 000 000	0
INDUSTRIAL DEVELOPMENTS	Nil	1	±R 100 000 000	1 (due to applicant's personal request to postpone the deliberations)

TOURISM FACILITIES/ VENUES	2	4	±R10 000 000	1 Not finalized to date
SUBDIVISION OF LAND PARCELS	5	10	± R 100 000	2 (More Recent applications)
COMMERCIAL DEVELOPMENTS	0	2	± R 2 000 000	0
TRIBAL AUTHORITY LAND DEVELOPMENTS (eg. Permission to Occupy)	3	7	± R 1 000 000	0

The KwaZulu Natal Planning & Development Act (No. 6 of 2008) had become fully effective also, during 2009/10, which inter alia, aims to alleviate much of the delays in the processing and decision-making regarding submitted applications. This is due to the fact that planning powers and functions are now delegated to municipalities; which removes the need for submission to Provincial Authorities for final decision on applications. While the new KZN-PDA provides a streamlined process, it does not suspend the need to satisfy the requirements of other applicable legislation on a particular development or land parcel. In essence, the respective procedures are determined by the nature and scale of the different types of proposals and all applications for development regardless of their individual processes require a detailed motivation in terms of, "need" and "desirability", anticipated impacts on the amenity and environment surrounding the application site, submission of various plans (i.e. locality/ zoning/ land use/ surveyor general diagrams/ site development plans), and public participation mechanisms, etc.

During the 2009/ 2010 financial year as well, the Town Planning Section has commissioned the preparation of a cadastral database of all properties within its jurisdiction in order to track, monitor and provide a spatial development perspective of all existing and proposed developments. Further, the Town Planning Section has finalised the verification and updating of all four of its town planning schemes (i.e. Wartburg, New Hanover, Dalton and Cool Air) which have been mapped and available to the public.

Of importance particularly in light of the forthcoming 2011 local government elections, is the management of all matters pertaining to the new Ward Boundary Delimitations within the uMshwathi Municipality. During the period 2009/10, numerous reports on ward the boundary re-organisation were prepared and presented to Council, support rendered to Councillors and the general public, numerous public workshops/ presentations in the wards conducted and, mapping done in respect of all new ward boundary changes. The Town Planning Section further served as the link between the Municipality and the Municipal

Demarcation Board (MDB) and concise documents were prepared and submitted as required to the MDB whom after deliberations, approved the new demarcations for uMshwathi Municipality. This process has resulted in the **uMshwathi Wards being increased from 11 to 13 and the number of Councillors from 22 to 26** as published in the KZN Provincial Gazette on 17 June 2010.

Similar to other sections which experience a few minor challenges from time to time, the Town Planning Section shifts priority to other areas of need within the municipality as and when required in order to meet key targets and deadlines. Further, the Town Planning Section is in the process of reorganizing itself to meet the requirements of the KZN-PDA.

Continuing into the 2010/11 financial year, the Town Planning Section aims to serve the local communities to the best of its ability and available resources in order that development and investment is continued within the uMshwathi Municipality.

FUNCTION 4: COUNCIL MATTERS

This function ensures that the Municipality adheres to the provisions of the Municipal Structures Act No. 117 of 1998 (Chapter 4, Part 4) which deals specifically with the establishment of Ward Committees as well as their associated powers and functions. One of the fundamental objectives here is the enhancement of public participation and democracy throughout all wards within the Municipality.

The current staffing capacity of this function includes a "Manager: Council Matters" as well as a "Councillor's Assistant". In addition to responsibilities mentioned above, the Council Matters function provides all administrative support to Councillors, support and assistance to ward committees as well as the community development workers (CDW's), the promotion of women representatives and diversity in the committees, etc.

The period 2009/10 has seen numerous ward committee meetings taking place as per regular schedules and the recommendations thereof feeding through the respective

Councillors to the Municipal Council. This has ensured a bottom-up flow of information in the Municipality to ensure better-informed and transparent decisions.

Also of key importance within the ambit of this function, is the regular monitoring and reporting on the implementation of Council resolutions.

FUNCTION 5: INTERNAL AUDIT

During the financial year 2009/10, Roshan Morar & Associates (accounting firm) were appointed to perform the internal audit function for the municipality. Some of the outputs included the preparation of feedback reports and presentation thereof, recommendations to management in response to comments from the Auditor General as well mechanisms for improvements.

Department: CORPORATE SERVICES

The purpose of the Department

The purpose of the department is to provide management leadership and sound administration of the institution.

Measurable Objectives of the Department

To ensure effective leadership, management and administrative support to business units of the institution. This is done through continuous refinement of corporate policies, structure, systems in compliance with legislation and best practice and championing Batho Pele principles and Service Delivery.

Sections that exist within the Corporate Services Department

- Human Resources
- Corporate Administration and Secretariat
- Compliance and Legal Services
- Information and Communications Technology (ICT)
- Records Management Services
- Fleet Management
- Security Services

Corporate Administration and Secretariat

The secretarial section provides secretarial support to various Committee/ Sub Committee meetings and Forums. This section ensures the following

- Meetings are taking place as scheduled.
- Co-ordination of logistical and procedural requirements of the meeting of that specific Committee
- Timeous distribution of notices of meetings

- Timeous compilation and distribution of agendas.
- Recording the details of proceedings/ discussions of the meetings
- *prepare minutes accurately*
- Distribution of resolutions emanating from the meetings for relevant employees to action.
- Implementation of decisions taken during meetings.
- Safe keeping of all records pertaining to Council meetings.

Compliance and Legal Services

- The Corporate Services Department is responsible for the establishment and functionality of all core municipal policies and systems as required by law. and ensure adherence to same.
- The Department in conjunction with other departments drafts by laws and ensures that they are promulgated

Information and Communications Technology (ICT)

This section maximises the opportunities to communicate creatively and effectively through the use of new technology, so that there is easy access to information about the Municipality. It seeks to continuously

- Promote the Council and its services and to facilitate channels of communication.
- Find and exploit the opportunities presented by electronic communication,

Records Management Services

The registry section is normally referred to as the heart of the organization because it serves as a link between the organization, department and sections within the organization and the outside world. It is the section where the flow of information is managed.

The activities of the registry section are governed by the Archives Act of 1996 and Access to information Act of 2000.

The following are some of the activities that are carried out at the registry:

- Receipt and opening of post
- Sorting of post
- Making files available on request
- Tracing of files
- Dispatch of outgoing mail
- Safekeeping and protection of archives
- Maintaining the list of all important documents
- Photocopying
- Messaging (Messenger)

Fleet Section

This section performs administrative functions related to management of Council fleet This includes the processing and updating of fleet records, attending to procedural requirements, conducting analysis and reporting on the performance of fleet with respect to fixed and variable costs against budgetary provisions.

Security Services

The Department is also responsible ensuring provision of security to all the municipality premises and for ensuring secure banking. This service is currently outsourced and

Organisational Development

Induction and Team building Programme

Employees partook in a Team Building induction session held at Sierra Ranch, Mooi – River which was aimed at encouraging them (all employees) to share the same vision of the municipality in order to ensure excellence in service delivery. The induction covered the following:

- Conditions of Service
- Sixty three (63) HR Policies and Procedures
- Team building

Youth Development

The Municipality is committed to promoting youth education and training through practical learning with a view to empowering all undergraduates, graduates and post graduates especially from designated groups to familiarise themselves with practical on the job experience in their respective career choices.

In this regard, five graduates in the financial field have been engaged as interns for a period of two years where they are afforded an opportunity to obtain the necessary practical and on the job training towards the qualification they have obtained. The interns are as follows:

NO	NAME OF STAFF	DATE OF APPOINTMENT	DESIGNATION
1	Dlamini K	2009/06/26	Finance Intern
2	Madlala TW	2009/06/26	Finance Intern
3	Ncane H	2009/06/26	Finance Intern
4	Mngwengwe LA	2009/06/26	Finance Intern

There is also an engagement of in-service trainees which rotates undergraduates' youth on a quarterly basis.

Skills Development

- 85% of audited staff was trained and 70% of planned training programmes were facilitated.
- All training was provided by accredited services providers
- Many other interventions which are beneficial to the municipality not identified in the WSP and are regarded as training, occurred throughout the year.
- The Municipality also trained four traffic officers in a recognized institution. They all passed and have graduated as *have* qualified traffic officers. They are now part of the permanent staff complement of the municipality.

Employment Equity Plan

The Municipality accepts its responsibility in terms of the Act, thereby, has adopted the Employment Equity Plan commencing in the financial year (2009/10) and in line with the current Municipal needs.

The employment equity committee has also been appointed responsible for compliance in this regard and also to ensure sustainability of the Plan.

- Approved funding for stage one = R972 165.00
- Challenges: Land ownership. Land is perceived to be under Ingonyama Trust Board whereas it is a State land.
- Solutions: Negotiations with all affected parties are at an advanced stage

Trustfeed Housing Project

- Project Value = R77 680 000.00
- Number of units: 1000
- Status quo: Preliminary stage completed
- Challenges: Landowners want arrear rates on their properties to be written off before they could avail it to the municipality?

New Hanover and Cramond Slums Clearance

- Number of units = 3000
- Status quo: Tender has been awarded for preliminary stage.

Department: Finance Services

The Municipality prides itself for achieving an unqualified Audit Report for the financial year ending June 2009. The municipality is quite certain that through the dedication and loyalty of the officials in the Finance Department, this achievement will be repeated in the next few years.

The Council approved the following budget for the 2009/2010 financial year:

Capital	75 614 000
Operational	70 914 577
Total Budget	**146 528 577**

The Finance Department is responsible for ensuring that the municipality operates in accordance with the municipal finance regulations as prescribed in the MFMA and other related Treasury Guidelines that are issued periodically by National Treasury. During the report period the Department was lead by the Chief Financial Officer with a staff complement of 10 officials.

In order to ensure efficient and effective execution of responsibilities the department is divided into the following task oriented sections:

- Expenditure – responsible for sound administration of both creditors and payroll activities.
- Income – responsible for proper administration, billing consumers for rates and other municipal services and collection of debt.
- Budget – responsible for the preparation and management of a balanced, IDP aligned budget
- SCM - responsible for all supply chain related activities as prescribed by the Municipality's SCM Policy

The highlights of the department's performance include the following:

- Appointment of the Chief Financial Officer

- Meeting its financial obligations during a difficult year
- The appointment of the 5th member of the Audit Committee
- The timeous submission of the Annual Financial Statements to the Auditor General
- Obtaining an unqualified audit report.
- The timeous adoption of the budget for the 2010/2011

In order to respond to the national skills development strategy as prescribed by National Treasury, five local finance interns have been appointed within the department. The internship program is for a minimum period of two years. The interns have been registered for a two year MFMA training program through DBSA. At the end of the program the interns will be in a position to apply for posts, if any, within the municipality or other municipalities.

The total debt owing to the municipality for rates and services is R 34 574 730.00. Of this amount R 16 582 336.00 is owed by various government departments. The government debt has been reported the respective MEC's and provincial treasury. With the assistance of the Provincial Treasury we are sure to recover the amounts being owed by the various departments.

The water services function was taken over by the uMgungundlovu District Municipality as from 1 July 2009.

Financial Performance Summary

2009/2010	Budget	Actual
Details	R	R
Salaries	26,874,142	25,555,600
General	16,371,000	11,637,522
Repairs and maintenance	4,797,500	3,447,577
Interest paid	2,100,000	2,647,914
Depreciation	5,116,000	6,054,456
Operational	**55,258,642**	**49,343,069**
Capital	36,934,000	19,278,284
Total	**92,192,642**	**68,621,353**

OBJECTIVE	KEY PERFORMANCE AREA	BUDGET	EXPENSE	OUTPUT
Financial management				
Operating expenditure	Oversight and strategic planning	8,904,740	10,238,305	Financial planning
	MFMA and other management			Compliance
	SCM control			Expenditure control
	Free basic services			Basic service delivery
	Maintenance of accounting records			Financial structure
	Accounting control			Risk man/control
	Financial system			Financial management
	Budgets and reviews			Planning and monitor
	Financial control and reporting			Management/info
	Grant control and management			Management/control
	Income and expenditure monitor			Risk management
	Asset management and control			Risk management
	Safekeeping and insurance asset			Risk management
	Cash and investment manage			Financial management
	Loans management and payment			Financial management
	Payment of creditors			Service delivery
	Debt management			Cash management
	Rate and tariff management			Financial management
	Rebate and indigent support			Service delivery
	Salary and allowance control			Financial management
	Implementation of policies & leg			Compliance
	Audit and audit reports			Risk management
	Annual financial statements			Financial/info and reports

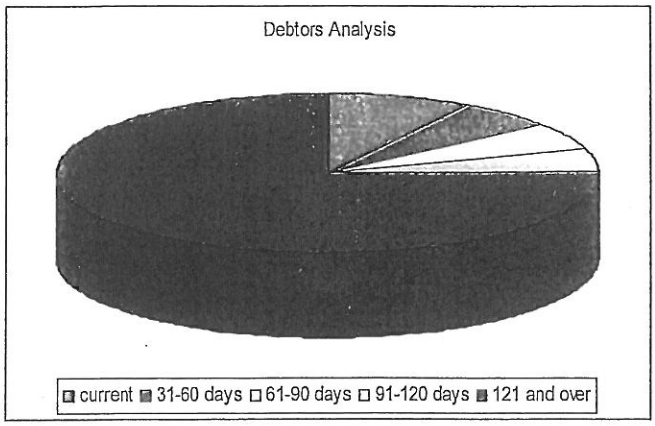
Infrastructure and services				
Operating expenditure	Roads and Storm water	9,460,078	7,458,861	Maintained Roads
	Technical Administration			
	Building Control			Orderly Development
	Pavements and Sidewalks			Pedestrian safety
	Bridges and Culverts			Access to all areas
	Water and Sanitation Monitoring			Public Health
	Vehicle Fleet Management			Maintenance and Ctrl
	Cleansing and Solid Waste			Public Health
	Removal of Garden Refuse			Weed and Rodent Ctrl
	Grass Cutting			Healthy Environment
	Parks and Gardens			Public Amenities
	Road Signs and Signage			Traffic control
	Building maintenance			Healthy conditions
	Capital works and constructions			Development of infra
	Bus and taxi ranks			Public transport
	Public toilets and amenities			Public amenities
Capital expenditure	Construction of Roads	8,873,000	4,995,828	
Social development				
Operating expenditure	Community development	5,365,064	5,235,178	Public investment
	Community liaison			Public participation
	Clinics			Public health
	Libraries			Public amenities
	Community facilities			Public amenities
	Public amenities			Access to facilities
	Public safety			Safe environment
	Traffic management			Traffic management
	Law enforcement			Traffic control
	Licencing and control			Logistical support
	Environmental health			Clean healthy environ
	HIV aids awareness			Awareness and prevention
	Disaster management			Disaster support
	Cemeteries and crematoria			Cemetery management
	Environmental management			Clean healthy environ
	Housing and slum clearance			Housing development
Capital expenditure	Construction/upgrade of Community Halls	16,300,000	7,337,066	
Economic development	Investment promotion & market	1,000,000	1,226,230	Economic development
	Establishment of BEE & SMEE's			Job creation
	Economic development			Job creation
	Tourism and marketing			Job creation
	Promotional communications			Investment opportunity
	Local economic support			Sustainable Eco/dev

OBJECTIVE	KEY PERFORMANCE AREA	BUDGET	EXPENSE	OUTPUT
Democracy and governance Operating expenditure	Oversight and strategic planning	22,673,706	23,586,346	Planning and governance
	Organisation and planning			Planning and operations
	Management and control			Risk management
	Communication and reporting			Info dissemination
	Council support and logistics			Organisation and control
	Performance management			Measurement and ctrl
	Ward committee's			Public participation
	Record keeping and management			Info control
	Political secretariat and support			Political administration
	Community development			Public investment
	Youth and women affairs			Developmental government
	Information technology & support			Strategic support
	Internal audit and control			Risk management
	Good governance			Compliance
	Fraud risk management			Risk management
	Skills development and training			Skills development
	IDP and review			Planning and review
	Audit committee			Risk management
	Human resource management			Staff management
	Labour relations			Labour management
	Occupational health and safety			Safe working environment
	Security general			Safe working environment
	Telecommunications			Communications
	Property and estates			Maintenance of assets
	Community halls			Public amenities
	Public amenities			Access to facilities
	LUMS			Land management
	Planning and development			Planning and dev
	Leave control			Human resource man
	Appeals and complaints			Logistical support
Capital Expenditure	Furniture, Grass Cutting Equipment etc.	100,000	1,274,040	

OBJECTIVE	KEY PERFORMANCE AREA	BUDGET	EXPENSE	OUTPUT
Institutional transformation				
Capital Expenditure	Office upgrade		569,442	Administrative Hub

ANALYSIS OF DEBTORS OUTSTANDING AS AT 30 JUNE 2010

Debtor type	Current	31-60 days	61-90 days	91-120 days	121 and over	Total	Previous Year Total
General rates	1 432 443	882 460	821 393	791 200	13 041 601	16 969 097	12,700,111
Refuse and other	1 278 502	550 992	518 460	497 831	14 759 848	17 605 633	14,446,593
Total debtors	2 710 945	1 433 452	1 339 853	1 289 031	27 801 449	34 574 730	27,146,704
% of total debt	7.84%	4.15%	3.88%	3.73%	80.41%	100%	100%



Analysis of Debtors per Category

Government Departments
Residential
Commercial
Agricultural
Vacant Residential

34 574 730

Comments:

1. A provision for doubtful debts of R 16 102 284 has been provided for in the financial statements.
2. Of the total debt of 34.6 million debt 13.4 million is owed by Government departments. The debt has been reported
to the respective MEC's and we are awaiting a response from the National Treasury for the way forward.

Report of the Audit Committee

The Audit Committee reports that it adopted appropriate formal terms of reference as its Audit Committee charter however, it notes with regret, that it has not been able to regulate its affairs in compliance with this charter.

During the 2009/2010 financial year the Committee operated without the required number of members, there were four (4) members instead of five, consequently it was not always possible to have a quorum and thus the number of scheduled meetings was less than that prescribed by the Charter.

In its review of the internal controls, the Audit Committee found that while basic controls are present, attention needs to be given to the adequacy and the effectiveness of these controls. Further, the Audit Committee found that there were no significant or material non-compliance issues with prescribed policies and procedures.

The Audit Committee has evaluated the audited annual financial statements and the Auditor-General's management report and the management's response thereto. The Audit Committee concurs and accepts the Auditor- Generals conclusions on the annual financial statements. The Audit Committee congratulates the uMshwathi Municipality on its third consecutive unqualified audit.

Department: Technical Services

In terms of the functional organogram of uMshwathi Municipality, the Department of Technical Services is responsible for the following activities:

- Engineering Services
- Electricity
- Civils
- Building Control
- Solid Waste Management
- Environmental Management
- Maintenance
- Buildings and Structures
- Roads and Stormwater
- Parks, Verges and Amenities
- Cemeteries

The Department is under the control of the General Manager: Technical Services and the main office is located in Wartburg, with the principal depot at Dalton.

Provision is made, in terms of the Departmental organogram, for three distinct sections: Project Management, Building Control and Infrastructure Maintenance.

The largest section is that of Infrastructure Maintenance, and this section is organized on the basis of a geographical, rather than functional, structure: New Hanover / Wartburg, Dalton / Coolair and Albert Falls / Cramond. Only the first two are headed by Supervisors.

The total staff complement is as follows:

General Manager: Technical Services	1
Manager: project Management Unit	1

Admin Officer	1
Supervisor	2
Assistant Supervisor	1
Handyman	1
Driver	1
Tractor Driver	3
General Assistant	57
TOTAL	68

Engineering Services, Civils and Projects

The provision of engineering services by the Technical Department *to the municipality* is achieved by the HoD and the Manager: PMU supported, as required from time to time, by specialist consultants retained for specific projects. These include electrical consultants, architects, quantity surveyors, civil engineers, geotechnologists, etc.

Electricity

Provision of electricity to consumers throughout the municipal area is carried out directly and exclusively by Eskom. The role of this Department is to maintain a watching brief upon the service provider and loosely monitor the quality and adequacy of service provision.

Intervention is occasionally made with regard to problems being experienced by consumers.

The operation and maintenance of the installed street lighting systems is carried out by Eskom in terms of contracts with uMshwathi Municipality under the control of this Department.

Building Control

The accountability for the function of building control is vested in the Department of Technical Services. The function is carried out in terms of the applicable legislation, known as the National Building Regulations and Building Standards Act 103 of 1977.

In the absence of a Building Control Officer (AKA Building Compliance Officer), the function is carried out by a service provider, Messrs EGM Services, under the control of the HoD. Administration of the function is performed by an Administrative Officer, whose services are shared with the Town Planner., who falls within the Municipal Manager's support structure.

Final approval of building plans is performed by the General Manager: Technical Services personally.

Solid Waste Management

The function of solid waste management falls into two activities, that of litter-picking and solid waste disposal.

Litter-picking is carried out within the municipal areas under the control of supervisors, i.e. New Hanover / Wartburg and Dalton / Coolair, by Departmental staff. The street litter is collected and bagged, and thereafter collected for disposal by the solid waste disposal contactor.

Difficulties are being experienced with control of street litter. This is primarily as a result of a lack of discipline on the part of certain business proprietors who, instead of retaining the refuse emanating from their businesses for collection on a weekly basis, are continually

placing such refuse in and around the street bins placed on the sidewalks and verges. This results in excessive volumes of refuse in the streets, with the consequent unsightly appearance of the towns.

Occasionally, e.g. on pension payout days or school sports functions, high volumes of public result in excessive littering, and difficulties are experienced with timeous collection of such street litter.

Solid waste disposal is carried out by a service provider, Messrs Uppergold Services, who is contracted to collect bagged refuse from 3 800 premises within the municipality on a weekly basis. These are residential and business sites within the urban areas only. No service is provided in rural areas.

There are no solid waste disposal sites located within the uMshwathi municipal area. The service provider hauls all waste to New England Road landfill site in Pietermaritzburg, where it is disposed of at the cost of this municipality.

The municipal by-laws provide for the prohibition of irregular disposal of waste. Despite this, substantial difficulty is frequently experienced with the necessity of clearing waste illegally dumped, by persons unknown, upon public areas.

Environmental Management

Environmental management is the control of vegetation upon municipal property – sidewalks, verges, parks, sports fields, cemeteries, etc.

The function is loosely divided into urban- and rural areas. The rural areas are controlled by the Assistant supervisor, whilst the urban areas are attended to departmentally under the control of the supervisors.

The exceptions to these are the areas of Albert Falls / Cramond, the New Hanover urban area and Thokozane, which are attended to by service providers, Messrs Rod Scallan, Silver Stars Services and Sinqobile Construction respectively.

uMshwathi Municipality Development Initiatives: 2009-2010						
Ward	Development Project	Nature of Project	Year	Value	Impact/Outcome	Comments
10	Estezi Hall	Construction of community hall	2009/2010	2,000,000.00	Contractor found to be unsuitable. Project is being re-tendered	
				2,000,000.00		
11	Oqaqeni Hall Fencing Swayimane Hall Fencing	Fencing of hall Fencing of hall	2009/2010 2009/2010	130,000.00 150,000.00	Improve safety at halls Improve safety at halls	Project completed Project completed
				280,000.00		
Total Developmental Project Costs				68,681,000.00		

Chapter 6

ANNUAL FINANCIAL STATEMENTS

UMSHWATHI MUNICIPALITY

ANNUAL FINANCIAL STATEMENTS

FOR THE YEAR ENDED

30 JUNE 2010

In terms of section 126 (1) of the Municipal Finance Management Act, I am responsible for the annual financial statements, which are set out on pages 1 to 33, and which I have signed on behalf of the municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 24 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Provincial and Local Government's determination in accordance with this Act.

M.V. Cebekhulu
MUNICIPAL MANAGER

31 August 2010
Date

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GENERAL INFORMATION

SPEAKER OF COUNCIL : Cllr. G.S. Maseko

MEMBERS OF THE EXECUTIVE COMMITTEE

Councillor	B.M. Gwala	:	Mayor, Exco. Chairperson
Councillor	S.S. Zondi	:	Deputy Mayor
Councillor	M.J. Mkhize	:	Exco Member
Councillor	T.I. Gabela	:	Exco Member

GRADING OF LOCAL AUTHORITY

GRADE ONE (1)

AUDITORS

AUDITOR-GENERAL SOUTH AFRICA

BANKERS

FIRST NATIONAL BANK

REGISTERED OFFICE

Main Road
New Hanover
3230

TELEPHONE

033 - 5020282

MUNICIPAL MANAGER

Mr. M.V. Cebekhulu

CHIEF FINANCIAL OFFICER

Mr. R.M. Mani

MEMBERS OF THE UMSHWATHI MUNICIPAL COUNCIL

PR	:	Cllr. S.S. Zondi
PR	:	Cllr. E.W. Eggers
PR	:	Cllr. T.I. Gabela
PR	:	Cllr. V.I. Gumede
PR	:	Cllr. A.G. Solomon
PR	:	Cllr. T.A. Hlatswayo
PR	:	Cllr. T.P. Phakathi
PR	:	Cllr. S.C. Gabela
PR	:	Cllr. D.A. Ndlela
PR	:	Cllr. C.B. Khonney
PR	:	Cllr. V.M. Mncwabe
W1	:	Cllr. M.P. Dlamini
W2	:	Cllr. N.P. Nene
W3	:	Cllr. B.E. Mbatha
W4	:	Cllr. G.S. Maseko
W5	:	Cllr. X.F. Maphumulo
W6	:	Cllr. A.T. Thusi
W7	:	Cllr. R. Mungroo
W8	:	Cllr. M.J. Mkhize
W9	:	Cllr. M. Goba
W10	:	Cllr. M.M. Nkala
W11	:	Cllr. B.M. Gwala

MAYOR : **Councillor B.M. Gwala**

DEPUTY MAYOR : **Councillor S.S. Zondi**

APPROVAL OF FINANCIAL STATEMENTS

The Annual Financial Statements set out on page 12 to 30 were approved by the Municipal Manager on 31 August 2010 and presented to and approved by Council on 31 August 2010.

MUNICIPAL MANAGER
(Accounting Officer)
31 August 2010

CHIEF FINANCIAL OFFICER

31 August 2010

Accounting Officer's Report

1 OPERATING RESULTS

Details of operating results, classification and object of expenditure are included in appendices C and D. A summary of the operating for the year under review is set out hereunder

		2009/2010	2008/2009
1.1	Rate and General Services		
	Expenditure		
	Ordinary	49,343,069	47,744,920
	Capital	0	0
		49,343,069	47,744,920
	Income		
	Assessment Rates	10,940,607	11,167,779
	Other	58,062,006	46,544,361
		69,002,613	57,712,140
	Accumulated Surplus		
	Surplus/(Deficit) for year	19,659,544	9,967,220
	Surplus brought forward		
		19,659,544	9,967,220

2 CAPITAL EXPENDITURE AND FINANCING

	2009/2010	2008/2009
Expenditure		
Rate and General Services	19,278,284	14,176,378
Water Services	0	0
Public Improvement Fund	0	0
Housing Services	0	0
	19,278,284	14,176,378
Financing		
External Loans	0	7,553,619
Grants and Subsidies	16,840,132	6,079,459
Endowments		
Revenue Contributions to Capital Outlay	2,438,152	543,300
	19,278,284	14,176,378

3 REVENUE

Rates form 15.86% of the total income of the municipality, the remainder of the income is generated by grants and trading services, The Equitable Share received fom National Government forms the bulk of the municipalities income amounting to R 29 627 353.

Interest received on investments and the current amounts is R 307 918 and interest on arrear accounts amounted to R 4 513 865.

4 EXPENDITURE

Employee costs amounts to R21.6 million and forms 44% of total expenditure of the municipality, while repairs and maintenance amounted to R3 447 577 and forms 7% of total expenditure.

Certain votes have been overspent and were as a result of unforseen expenditure and certain elements of inadequate budget provision.

Accounting Officer

Date 31 August 2010

UMSHWATHI MUNICIPALITY
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

1. BASIS OF PRESENTATION

The Annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) and the Standards of Generally Accepted Municipal Accounting Practices (GAMAP) prescribed by the Minister of Finance in terms of:

- General Notice 991 of 2005, issued in Government Gazette no. 28095 of 15 December 2005
- General Notice 992 of 2005, issued in Government Gazette no. 28095 of 7 December 2005;

The Standards comprise of the following:

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing Costs
GRAP 9	Revenue
GRAP 12	Inventories
GRAP 13	Leases
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Asset

GRAP statements 4, 6, 7, 8, 10, 11, 14 and 16 have not been implemented since they do not affect the operations of the municipality.

GRAP statements 18, 21, 23, 24, 26 and 103 are not being since they are issued but not effective.

These accounting policies are consistent with those of the previous financial year accept for the exemptions that applied in the previous year.

These accounting policies and the applicable disclosures have been based on Standards Of International Public Sector Accounting Standards (PSAS) issued by the International Federation of Accountants-Public Sector Committee, International Accounting Standards (IAS) issued by the International Accounting Standards Board, of Generally Accepted Accounting Practice issued by the South African Accounting Practice Boards and the South African Institute of Chartered Accountants' Accounting Practice Committee.
The principal accounting policies adopted in the preparation of these annual financial statements, which have been consistently applied. Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standards GRAP.

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the Municipality were extinguished on 01 April 1998 and transferred to a Housing Development Fund. Housing selling schemes both complete and in progress as at 01 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the of the Housing Development Fund can be used only to finance housing developments within the municipality area subject to the approval of the Provincial MEC responsible for housing.

5. RESERVES

5.1 Capital Replacement Reserves (CRR)

In order to finance the provision of infrastructure and other items of property, plant and equipment from internal sources, amounts are transferred from the accumulated surplus to the CRR in terms of a Council resolution. A corresponding amount is transferred to a designated CRR bank or Investment account. The cash in the designated CRR bank account can only be utilized to finance items of property, plant and equipment. The CRR is reduced and the accumulated surplus is credited by a corresponding amount when the amounts in the CRR are utilized.

5.2 Capitalisation Reserve

On the implementation of GAMAP/GRAP, the balance on certain funds, created in terms of the various Provincial Ordinances applicable at the time, that had historically been utilized for the acquisition of items of property, plant and equipment, have been transferred to a Capitalisation Reserve instead of the accumulated surplus in terms of a directive (budget circular) issued by National Treasury. The purpose of this Reserve is to promote consumer equity by ensuring that future depreciation expenses that will be incurred over the useful lives of these items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

The balance in the Capitalisation Reserve equals the carrying value of the items of property, plant and equipment financed from the former legislated funds. When items of property, plant and equipment are depreciated, a transfer is made from the Capitalisation Reserve to the accumulated surplus.

When an item of property, plant and equipment is disposed of, the balance in the Capitalisation Reserve relating to such item is transferred to the accumulated surplus.

5.3 Government Grant Reserve

When items of property, plant and equipment are financed from government grants, a transfer is made from the accumulated surplus to the Government Grants Reserve equal to the Government Grant recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When items of property, plant and equipment are depreciated, a transfer is made from the Government Grant Reserve to the accumulated surplus equal to the amount of the annual depreciation. The purpose of this policy is to promote community equity by ensuing that future depreciation expenses that will be incurred over the useful lives of government grant funded items of property, plant and equipment are offset by transfers from this reserve to the accumulated surplus.

When an item of property, plant and equipment financed from government grants is disposed of, the balance in the Government Grant Reserve relating to such item is transferred to the accumulated surplus.

5.4 Donations and Public Contribution Reserve

When items of property, plant and equipment are financed from public contributions and donations a transfer is made from the accumulated surplus to the Donations and Public Contribution Reserve equal to the donations and public contributions recorded as revenue in the Statement of Financial Performance in accordance with a directive (budget circular) issued by National Treasury. When such items of property, plant and equipment are depreciated a transfer is made from the Donations and Public Contributions Reserve to the accumulated surplus. The purpose of this policy is to promote community equity and facilitate budgetary control by ensuing that sufficient funds are set aside to offset the future depreciation charges that will be incurred over the estimated useful life of the item of property, plant and equipment financed from donations and public contributions.

When an item of property, plant and equipment financed from government grants is disposed of, the Donations and Public Contributions Reserve relating to such item is transferred to the accumulated surplus.

6. ASSETS

6.1 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment, is stated at cost, less accumulated depreciation. Land is not depreciated as it is deemed to have an indefinite life.

The cost of items of property, plant and equipment acquired in exchange for a non-monetary or monetary asset, or a combination of monetary and non-monetary assets

Is measured at its fair value .If the cost can not be measured at its fair value, its cost is measured at the carrying amount of the asset given up.

Subsequent expenditure is capitalized when the recognition and measurement criteria of an asset are met.

The GRAP Standard on Impairment of Assets is applied to determine whether an item of property, plant and equipment need to be impaired.

Depreciation is calculated based on cost, using the straight-line method over the estimated useful lives of the assets. The annual depreciation rates are based on the following estimated asset lives:-

	YEAR	OTHER	YEARS
Infrastructure			
Roads and Paving	30	Buildings	30
Pedestrian Malls	30	Air Conditioners	5
Electricity	20	Other Vehicles	5
Housing	30	Office equipment	5
Street Lights	25	Furniture and Fitting	10
		Radios	5
		Robots	10
Community		Other items of plant and equipment	3
Buildings	30	Computers and Computer Software	5
Security	5		

The gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying value and is recognized in the Statement of Financial Performance.

Where the carrying amount of an item of property, plant and equipment is greater than the estimated recoverable amount, it is written down immediately to its recoverable amount and an impairment loss is charged to the Statement of Financial Performance.

6.2 INTANGIBLE ASSETS

Computer Software is identified as Intangible Assets and is disclosed as such in the financial statements. The intangible asset is amortised over its useful life. Intangible assets are disclosed at cost less amortization in the financial statements.

7. FINANCIAL INSTRUMENTS

Financial Instruments, which include fixed deposits and short-term deposits invested in registered banks, are stated at cost.

Where investments have been impaired, the carrying value is adjusted by the loss, which is recognized as an expense in the period that the impairment is identified.

On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

Debtors have not been discounted as required by IAS 39 since the bulk of the debtors are rates debtors. Arrear accounts are charged interest on the arrear balance on a monthly basis. Only 4% of the total debtors are services debtors, namely for refuse.

8. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods are valued at the lower of cost and net realizable value. The basis of determining cost is the weighted average method.

Unsold properties are valued at the lower of cost and net realizable value on a weighted average cost basis. Direct costs are accumulated for each separately identifiable development. Costs also include a proportion of overheads costs.

Redundant and slow-moving inventories are identified and written down from cost to net realizable value with regards to their estimated economic or realizable values.

9. ACCOUNTS RECEIVABLE

Accounts receivable are carried at anticipated realizable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Bad debts are written off during the year in which they are identified. Amounts that are receivable within 12 months from the reporting date are classified as current

10. TRADE CREDITORS

Trade creditors are stated at their nominal value.

11. BORROWING COSTS

Borrowing costs are recognised as an expense in the Statement of Financial Performance.

12. REVENUE RECOGNITION

12.1 Revenue from exchange transactions

Service charges relating to refuse removal are recognized on a monthly basis in arrears by applying the approved tariff to each property. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied during the month

Interest and rentals are recognized on a time proportionate basis.

Revenue arising from the application of the approved tariff of charges is recognized when the relevant service is rendered by applying the relevant gazetted tariff. This includes the issuing of licenses and permits.

Income for agency services is recognized on a monthly basis once the income collected on behalf of agents has been quantified. The income recognized is in terms of an agency agreement.

Finance income from the sale of housing by way of installment sales agreements or finance leases is recognized on a time proportionate basis.

Revenue from the sale of goods is recognized when the risk has passed to the consumer.

Revenue from public contributions is recognized when all conditions associated with the contribution have been met or, where the contribution is to finance property, plant and equipment, when such item of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognized.

12.2 Revenue from non-exchange transactions

Revenue from property rates is recognized when the legal entitlement to this revenue arises. Collection charges are recognized when such amounts are legally enforceable. Penalty interest on unpaid rates is recognized on a time proportionate Basis.

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognized when payment is received.

Donations are recognized on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognized when such items of property, plant and equipment are brought into use.

Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No. 56 of 2003) and is recognized when the recovery thereof from the responsible Councillors or officials is virtually certain.

13. CONDITIONAL GRANT AND RECEIPTS

Revenue received from conditional grants and donations is recognized as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligation have not been met, a liability is recognized.

14 PROVISIONS

Provisions are recognized when the Municipality has a present or constructive obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate. Non-current provisions are discounted to the present value using a discount rate based on the average cost of borrowing to the municipality.

15. CASH AND CASH EQUIVALENTS

Cash includes cash on hand and with banks. Cash equivalents are short- term highly liquid investments that are held with registered banking institutions with maturities of six months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks and investments in financial instruments, net of bank overdraft.

Bank overdrafts are recorded based on the facility utilized. Finance changes on bank overdraft are expensed as incurred.

16. UNAUTHORISED EXPENDITURE

Unauthorised expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No. 56 of 2003), Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

17. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No 56 of 2003), the Municipal System Act (Act No. 32 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

18. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and could have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

19. COMPARATIVE INFORMATION

19.1 Current Year Comparatives

Budgeted amounts have been included in the annual financial statements for the current and previous financial years

19.2 Prior Year Comparatives

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified.

uMSHWATHI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2010

	Note	2010 R	2009 R
ASSETS			
Non - current assets		84,140,270	70,902,733
Property , plant and equipment	10	83,644,557	70,356,360
Intangible Assets	11	160,922	225,291
Long term receivables	13	334,791	321,082
Current assets		24,325,810	25,250,134
Consumer debtors	15	17,830,542	17,962,870
Other debtors	16	2,274,573	1,663,291
Current portion of long term debtors	13	111,597	107,027
Value added tax	8	209,269	240,970
Call investment deposits	17	3,177,377	5,163,002
Bank balances and cash	30	722,452	112,974
Total Assets		**108,466,080**	**96,152,867**
Non - current liabilities		25,865,810	22,701,271
Long term liabilities	2	25,865,810	22,701,271
Current liabilities		12,605,546	14,580,673
Creditors	6	6,804,938	7,498,307
Unspent conditional grants and receipts	7	3,278,016	5,227,187
Bank overdraft	18	0	0
Current portion of long term liabilities	2	2,522,592	1,855,179
Total Liabilities		**38,471,355**	**37,281,944**
Net Assets		**69,994,724**	**58,870,923**
NET ASSETS			
Net assets		69,994,724	58,870,923
Housing Development Fund	1	2,921,274	2,993,657
Capital Revaluation Reserve		6,202,123	6,202,123
Accumulated surplus		60,871,327	49,675,143
		69,994,724	**58,870,923**

uMSHWATHI LOCAL MUNICIPALITY
STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2010

BUDGET				ACTUAL	
2009	2010	REVENUE	Note	2010	2009
11,979,663	10,828,796	Property rates	19	10,940,607	11,167,779
300,000	800,000	Property rates - penalties imposed and collection charges		904,997	864,349
1,000,000	1,400,000	Service charges	20	1,403,434	1,345,547
300,000	200,000	Rental of facilities and equipment		155,469	141,953
750,000	250,000	Interest earned - external investments		307,918	560,761
1,750,000	3,250,000	Interest earned - outstanding debtors		4,513,865	3,968,501
751,000	400,000	Fines		183,213	186,183
2,375,000	1,500,000	Income for agency services		1,744,592	1,614,029
26,938,000	36,459,000	Government grants and subsidies	21	31,731,643	29,477,800
1,260,000.00	171,000.00	Other income	22	276,742	355,187
		MIG Funding		16,840,132	8,030,051
47,403,663	55,258,796	Total Revenue		69,002,612	57,712,140
		EXPENDITURE			
18,321,088	22,661,542	Employee related costs	23	21,605,588	17,289,728
4,125,000	4,212,600	Remuneration of Councillors	24	3,950,012	3,660,057
		Bad debts			
	150,000	Collection costs		399,203	324,874
		Amortisation of Intangible Assets		64,369	64,369
1,250,000	5,116,000	Depreciation		5,990,087	2,849,611
2,370,000	4,797,500	Repairs and maintenance		3,447,577	1,564,619
2,500,000	2,100,000	Interest paid	25	2,647,914	2,335,911
	400,000	Contracted services		253,888	1,244,547
18,787,500	15,771,000	General expenses	32.7	11,008,110	16,570,670
		Loss on disposal of property,plant and equipment		0	97,022
50,000	50,000	Contribution to Reserves		0	139,706
		Feasibility Study		0	1,603,807
47,403,588	55,258,642	Total Expenditure		49,366,746	47,744,921
75	154	Surplus/(Deficit) for the year		19,635,865	9,967,220

Refer to Appendix E .1 for explanation of variances

uMSHWATHI LOCAL MUNICIPALITY

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2010

2010	Pre-GRAP Reserves and Funds R	Non-distributable Reserves R	Housing Development Fund R	Capital Replacement Reserve R	Revaluation Reserve R	Accumulated Surplus R	Total R
Balance at 30 June 2009	-	-	2,993,657	6,202,123		49,675,143	58,870,923
Adjust financials to agree to main ledger		-				-	-
	-	-	2,993,657			49,675,143	58,870,923
Implementation of GRAP	-	-	-	-		-	-
						-	-
	-	-	2,993,657	6,202,123	-	49,675,143	58,870,923
Surplus (deficit) for the year						19,635,865	19,635,865
Capital grants used to purchase PPE						(16,840,132)	(16,840,132)
Housing Development Fund transactions			(72,383)				(72,383)
Reversal of Water Transactions						8,400,451	8,400,451
							-
	-	-	**2,921,274**	**6,202,123**	-	**60,871,327**	**69,994,724**

uMSHWATHI LOCAL MUNICIPALITY
CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2010

	Note	2010 R	2009 R
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from ratepayers,government and other		57,066,229	51,742,828
Cash paid to suppliers and employees		(40,728,745)	(41,202,699)
Cash generated from (utilised in) operations	29	16,337,484	10,540,129
Interest received		307,918	560,761
Interest paid		(2,647,914)	(2,335,911)
NET CASH FROM OPERATING ACTIVITIES		13,997,488	8,764,979
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property,plant and equipment		(19,278,284)	(14,176,378)
Purchase of housing infrastructure		-	171,000
Proceeds on disposal of property,plant and equipment			
(Increase) decrease in investment properties		(18,279)	(38,621)
(Increase) decrease in non - current receivables			
(Increase) decrease in non - current investments		1,985,625	(879,449)
(Increase) decrease in call investments			
NET CASH FROM INVESTING ACTIVITIES		(17,310,938)	(14,923,448)
CASH FLOWS FROM FROM FINANCING ACTIVITIES			
New loans raised (repaid)/Other Capital Receipts		4,041,154	8,204,948
Increase (decrease) in consumer deposits		(118,227)	(152,722)
Increase (decrease) in short term loans			
NET CASH FROM FINANCING ACTIVITIES		3,922,927	8,052,226
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		609,478	1,893,757
Cash and cash equivalents at the beginning of the year		112,974	(1,780,783)
Cash and cash equivalents at the end of the year		722,452	112,974
		609,478	1,893,757

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
1 HOUSING DEVELOPMENT FUND		
Housing Development Fund		
Unappropriated Surplus		
Loans extinguished by Government on 1 April 1998	2,921,274	2,993,657
The Housing Development Fund is represented by the following assets and liabilities		
Property,plant and equipment (see note 10)	446,388	428,109
Housing selling scheme loans (see note 13)	1,260,562	955,618
Housing rental and instalment debtors (see note 15)	165,332	165,332
Debtors - Department of Housing	1,048,992	1,444,598
Bank and cash	2,921,274	2,993,657
Sub - total		
Creditors	2,921,274	2,993,657
Total Housing Development Fund Assets and Liabilities		
2 LONG TERM LIABILITIES		
Capitalised lease liability	423,646	521,526
External loans	27,964,756	24,034,924
	28,388,401	24,556,450
Less current portion transferred to current liabilities	(2,522,592)	(1,855,179)
	25,865,810	22,701,271
3 NON - CURRENT PROVISIONS	-	-
4 CONSUMER DEPOSITS	-	-
5 PROVISIONS	-	-
6 CREDITORS		
Trade creditors	376,333	4,610,748
Accrued interest - external loan	1,296,628	429,891
Staff leave	850,619	881,730
VAT provision	95,575	603,982
Payments in advance	-	641,904
Sundry loans	70,128	70,128
Retention payable	103,898	103,898
Housing	1,892,937	
Deposits other	3,304	3,304
Other creditors	2,115,514	152,722
	6,804,938	7,498,307
7 UNSPENT CONDITIONAL GRANTS AND RECEIPTS		
7.1 Conditional grants from other spheres of government	3,278,016	5,227,187
Total conditional grants and receipts	3,278,016	5,227,187
MIG	2,894,463	3,509,596
District: Tourism		
General Grant	58,025	58,025
MAP	-	104,280
Housing Plan	66,901	
DPLG	-	236,638
LED		
FMG	-	1,318,649
MSIG	258,627	
	3,278,016	5,227,188
8 VAT		
VAT refundable	209,269	240,970
VAT is payable on the receipts basis		
9 SHORT TERM LOANS	-	-

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

				2010	2009
10 PROPERTY,PLANT AND EQUIPMENT					
30-Jun-2010					
Reconciliation of carrying value	Land and Buildings	Infrastr-ucture	Other	Housing	Total
Carrying value at 1 July 2009					
Cost	39,530,398	34,883,434	4,746,309		79,160,141
Revaluation	5,563,446	600,029	(665,622)		5,497,853
Accumulated depreciation					
- Cost	(2,737,634)	(10,845,094)	(1,601,857)	-	(15,184,585)
- Revaluation	(1,241,195)	1,884,833	239,313		882,951
	41,115,015	26,523,202	2,718,143	-	70,356,360
Acquisitions	2,238,102	12,054,502			14,292,604
Capital under construction	1,174,143	3,811,536			4,985,680
Revaluation: Cost					-
Revaluation: Depreciation					-
Depreciation					
- based on cost	(793,432)	(4,462,320)	(734,335)	-	(5,990,087)
- based on revaluation					
Carrying value of disposals					
Cost/revaluation					-
Accumulated depreciation					-
Carrying value at 30 JUNE 2009					
Cost	42,942,644	50,749,472	4,746,309	-	98,438,425
Revaluation	5,563,446	600,029	(665,622)		5,497,853
Accumulated depreciation					
- Cost	(3,531,066)	(15,307,414)	(2,336,192)	-	(21,174,672)
- Revaluation	(1,241,195)	1,884,833	239,313		882,951
	43,733,829	37,926,920	1,983,809	-	83,644,557

Reconciliation of carrying value	Land and Buildings	Infrastr-ucture	Other	Housing	Total
Carrying value at 1 July 2009					
Cost	32,022,769	28,936,747	4,470,950		65,430,466
Revaluation					
Accumulated depreciation					
- Cost	(1,881,464)	(9,728,610)	(724,898)		(12,334,972)
- Revaluation					
	30,141,305	19,208,137	3,746,052	-	53,095,494
Acquisitions	3,149,426	1,183,901	722,062		5,055,389
Capital under construction	4,358,203	4,762,786			9,120,989
Revaluation: Cost	5,563,446	600,029	(844,303)		5,319,172
Revaluation: Depreciation	(1,241,195)	1,884,833	239,313		882,951
Depreciation					
- based on cost	(856,170)	(1,116,484)	(876,959)		(2,849,613)
- based on revaluation					
Carrying value of disposals					
Cost/revaluation			(446,703)		(446,703)
Accumulated depreciation			178,681		178,681
Carrying value at 30 JUNE 2009					
Cost	39,530,398	34,883,434	4,746,309	-	79,160,141
Revaluation	5,563,446	600,029	(665,622)		5,319,172
Accumulated depreciation					
- Cost	(2,737,634)	(10,845,094)	(1,601,857)	-	(15,005,904)
- Revaluation	(1,241,195)	1,884,833	239,313		882,951
	41,115,015	26,523,202	2,718,143	-	70,356,360

Refer to Appendix B for more detail on property,plant and equipment

Assets Under Construction:		
Electrification	3,609,503	950,859
D75 Road	-	1,209,768
Mbeka Road	-	2,032,537
D40 Road	-	290,550
P423 Road	202,034	279,072
Ndundwini Creche	-	40,623
Ntulwa Creche	-	33,663
Thusong Centre (MPCC)	-	88,684
Gujini Creche	-	264,944
Gobizembe Community Hall	-	1,106,366
Gqugquma Community Hall	-	1,685,649
Nkululeko Community Hall	-	132,522
Estezi Community Hall	150,966	1,005,772
Sports Centre	423,378	-
	4,385,880	9,120,989

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
11 INTANGIBLE ASSETS		
Software Licences and LAN Network		
Cost	321,844	321,844
Amortisation	(160,922)	(96,553)
	160,922	225,291

The software and network is being amortised over 5 years being its useful life

12 INVESTMENTS

Long term

13 LONG TERM RECEIVABLES		
Housing loans	446,388	428,109
Less: Short term portion transferred to Sundry Debtors	(111,597)	(107,027)
	334,791	321,082

14 INVENTORY

15 CONSUMER DEBTORS

Balances at 30 June 2010	Gross balance	Provision for doubtful debts	Net balance
Service debtors	1,189,836	904,298	285,538
Rates	16,327,194	-	16,327,194
Housing	672,579		672,579
Other	15,743,217	15,197,986	545,231
Total	33,932,825	16,102,284	17,830,542
Balances at 30 June 2009			
Service debtors	1,060,273	812,188	248,085
Rates	12,700,111	-	12,700,111
Housing	969,554		969,554
Other	12,416,766	8,371,646	4,045,120
Total	27,146,704	9,183,834	17,962,870

Rates: Ageing		
Curent (0 - 30 days)	1,432,443	1,311,470
31 - 60 days	882,460	884,754
61 to 90 days	821,393	819,806
91 - 120 days	791,200	768,093
121 days and over	13,041,601	8,915,988
Total	16,969,097	12,700,111
Refuse and other : Ageing		
Current (0 - 30 days)	1,278,502	1,030,040
31 - 60 days	550,992	676,049
61 to 90 days	518,460	670,197
91 - 120 days	497,831	538,209
121 days and over	14,759,848	11,532,098
Total	17,605,631	14,446,593
	34,574,729	27,146,704

An estimate is made of doubtful debts based on a review of all outstanding debtors at year end. Interest is charged on individual debtor accounts once they go into arrears. The current provision is considered adequate since the bulk of the Rates debtors is made up of debt owing by Government departments.

	2010	2009
16 OTHER DEBTORS		
District Municipality	220,204	220,204
Thokazane housing	1,438,745	1,738,745
Councillors	6,395	36,752
Department of Housing	165,332	165,332
Accrued Interest	90,689	
Other	353,210	149,226
Total other debtors	2,274,573	2,310,259
less: Provision for doubtful debts	-	646,968
	2,274,573	1,663,291
17 CALL INVESTMENT DEPOSITS		
Other deposits	3,177,377	5,163,002
	3,177,377	5,163,002

Investments are 32 day and /or 90 day money market accounts. A call account is also held in which the equitable share is transferred when received. Funds are transferred from the call account as and when required.

18 BANK,CASH AND OVERDRAFT BALANCES

The Municipality has the following bank accounts:

Current account (Primary bank account)

First National Bank -
Account number - 62025429232

Cash book balance at beginning of year (overdrawn)	110,626	(1,783,128)
Cash book balance at end of year	720,106	110,626
Bank statement balance at beginning of year	127,910	361,459
Bank statement balance at end of year	717,820	127,910

19 PROPERTY RATES

Actual		
Agricultural	3,390,099	4,166,891
Residential	2,701,466	2,163,395
Commercial	1,244,514	1,221,123
Public service infrastructure	2,977,441	3,151,130
State	627,087	465,240
Other		
Total assessment rates	10,940,607	11,167,779
Valuations		
Agricultural	1,815,124,000	1,815,124,000
Residential	264,634,000	264,634,000
Commercial	161,170,000	161,170,000
Public service infrastructure	425,861,000	425,861,000
State	44,007,000	44,007,000
Other	13,353,000	13,353,000
Total property valuations	2,724,149,000	2,724,149,000

The comparative figure for the rates income has been restated to take into account the reduction in rates income after the adjustments for successful objections.

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
20 SERVICE CHARGES		
Refuse removal	1,403,434	1,345,547
Water, sewer and other charges	-	-
	1,403,434	1,345,547
21 GOVERNMENT GRANTS AND SUBSIDIES		
Equitable share	29,627,353	24,779,644
Clinic subsidy	0	0
Conditional grants utilised	2,104,340	4,698,156
	31,731,693	29,477,800
Refer Appendix F		
22 OTHER INCOME	276,742	355,187
Fees: Photocopies	11,729	11,997
Fees: Rates Clearance	5,012	8,319
Agency Fee (UMDM)	0	173,150
Interest: Current Account	12,459	35,946
Fees	983	11,950
Community Hall	9,537	11,441
Motor Licencing	0	1,882
Maintenance	55,530	85,315
Cemetery	8,984	15,189
Postal Service	21,817	
Sundry	150,691	
	276,742	355,189
23 EMPLOYEE RELATED COSTS		
Employee related costs - salaries and wages	16,794,246	13,381,056
Employee related costs - contributions to UIF,pension and medical costs	3,280,573	2,295,055
Travel,vehicle,accommodation,subsistence and other allowances	973,379	920,727
Housing benefits and allowances	28,810	34,669
Overtime payments	251,317	426,229
Performance bonus		
Skills Levy/Protective Clothing/Bargaining Council	277,264	231,992
Sub-total	21,605,588	17,289,728
Less:Employee costs allocated to Property.Plant and Equipment		
Less:Employee costs included in other expenses		
Total employee related costs	21,605,588	17,289,728
There were no loans to employees.		
Remuneration of the Municipal Manager		
Annual remuneration	550,718	491,411
Bonus		
Car allowance	120,000	120,000
Contributions to Medical and Pension Funds and UIF	99,294	88,589
	770,013	700,000

		2010	2009
Remuneration of the Chief Financial Officer			
Annual remuneration		455,757	500,000
Bonus		13,620	
Car allowance		79,680	
Contributions to Medical and Pension Funds		943	
		550,000	500,000
Remuneration of other managers			
30-Jun-2009			
	Corporate Services	Technical Services	Community Services
Annual remuneration	450,000	279,840	450,000
Bonus			
Car allowance		85,800	
Contributions to Medical and Pension Funds		84,360	
	450,000	450,000	450,000
30-Jun-2010			
Annual remuneration	495,000	331,334	495,000
Bonus			
Car allowance		85,797	
Contributions to Medical and Pension Funds		77,869	
	495,000	495,000	495,000
24 REMUNERATION OF COUNCILLORS			
Mayor		572,109	534,681
Deputy Mayor		254,873	238,199
Speaker		254,873	238,199
Executive committee members		479,221	447,870
Councillors		2,388,937	2,201,108
		3,950,012	3,660,057
In - kind benefits			
The Mayor has use of a Council owned vehicle as well as an offce for official duties			
25 INTEREST PAID			
External loans		2,647,914	2,335,911
Finance leases			
		2,647,914	2,335,911
26 PRIOR PERIOD ERRORS			
Restatement of Expenditure iro 2008/09 during 2010		-	-
Depreciation			(64,369)
Amortisation of Intangible Assets			64,369
Restatement of Property, Plant and Equipment and Intangible Assets iro 2008/09 during 2010			(225,921)
Property Plant and Equipment			225,921
27 GRANTS AND SUBSIDIES PAID			
There were no grants and subsidies paid by the municipality.		-	-
28 GENERAL EXPENSES			
There were no Extraordinary and/or unforeseen expenses			

uMSHWATHI LOCAL MUNICIPALITY
NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

	2010	2009
29 CASH GENERATED BY OPERATIONS		
Surplus (deficit) for the year	19,635,865	9,967,220
Deficit - Housing operating account	(72,383)	(24,002)
Ajjustment for :		
Prior year		
Depreciation	5,990,087	2,913,980
Reversal of Water Debtors	(5,484,835)	
Contributions to provisions- non-current		
Contributions to provisions - current		
Contributions to bad debt provision		
Investment income	(307,918)	(560,761)
Interest paid	2,647,914	2,335,911
Operating deficit before working capital changes	22,408,730	14,632,348
(iIncrease) decrease in consumer debtors	(6,786,121)	(10,276,180)
(iIncrease) decrease in other debtors	(611,283)	2,999,788
(iIncrease) decrease in VAT debtor	31,701	299,582
Increase (decrease) in conditional grants and receipts	1,949,171	(109,992)
Increase (decrease) in creditors	(693,369)	3,004,236
(iIncrease) decrease in current portion of long term debtors	(4,570)	(9,653)
	16,294,259	10,540,129
30 CASH AND CASH EQUIVALENTS		
Cash and cash equivalents included in the cash flow statement comprise the following amounts:		
Bank balances and cash	2,346	2,345
Cash on Hand	720,106	110,629
	722,452	112,974

31 RELATED PARTY TRANSACTIONS

31.1 The wife of Councillor M.J. Mkhize has an interest in Silver Stars, the service provider performing the grass cutting function in New Hanover and catering 426,161

ADDITIONAL DISCLOSURES IN TERMS OF MUNICIPAL FINANCE MANAGEMENT ACT

32 32.1 Contributions to organised local government

Opening balance		
Council contributions	-	82,502
Amount paid - current year	-	82,502
Amount paid - previous years		
Balance unpaid (included in creditors)	-	-

32.2 Audit fees

Opening balance		
Current year audit fee		
Amount paid current year	566,067	737,728
Amount paid - previous years		
Balance unpaid (included in creditors)		-

32.3 VAT

Opening balance	240,973	1,826,984
Current year output VAT	(989,879)	(1,861,689)
Current year input VAT	3,279,010	3,309,896
Amount paid - current year		
Amount refunded by SARS - current	(2,302,549)	(3,034,218)
Amount due by SARS - included in debtors	227,554	240,973

All VAT returns have been submitted by the due date.

	2010	2009
32.4 PAYE and UIF		
Opening balance		
Current year payroll deductions and Council UIF contributions	2,924,828	2,177,842
Amount paid - current year	2,924,828	2,177,842
Amount paid - previous years		
Balance unpaid (included in creditors)	-	-
32.5 Pension and medical aid deductions		
Opening balance		
Current year payroll deductions and Council contributions	3,668,815	3,260,237
Amount paid - current year	3,668,815	3,260,237
Amount paid - previous years		
Balance unpaid (included in creditors)	-	-

32.6 Councillors arrear consumer accounts

No Councillors had arrear accounts outstanding for more than 90 days as at :

30 June 2008	Total	Outstanding less than 90 days	Outstanding more than 90 days
	-	-	-

30 June 2009	Total	Outstanding less than 90 days	Outstanding more than 90 days
		-	-

32.7 General Expenses: Detail

Advertisements	126,285.69	160,539.28
Audit Fee: External	566,066.85	737,727.72
Bank Charges	41,166.12	48,658.55
Chemicals and Oil Dispersants	1,707.80	269.08
Communication: Budget Process	900.00	621,959.56
Conditional Grant Expenditure	-	-
Conferences & Semnars	85,603.53	65,744.61
Consulting Fees	-	474,680.29
Crime Prevention	28,936.50	
Entertainment	5,371.73	38,338.06
Environmental Management Plan	-	-
FBS & FBE	688,523.83	566,302.04
Fuel and Lubricants	-	11,911.13
HIV/AIDS	-	638,161.82
Hospitality	24,115.39	50,586.59
Housing Plan	13,064.02	124,239.64
IDP Review	99,222.78	201,971.64
Information Technology	495,810.06	521,513.07
Institutional Plan	-	-
Insurance	233,562.29	187,081.58
Internal Audit	-	152,100.00
Land Use Management Systems	-	-
Law Enforcement	38,357.92	42,011.73
Leave Provision	-	-
LED Projects	288,169.34	1,226,229.54
Legal Expenses/Bylaws	475,394.49	352,126.67
Levy: Research	1,317.00	9,940.43
Licences	-	171.00
Lost Books	879.11	130.53
Machinary Costs	20,305.24	18,001.55
Materials	114,539.92	175,911.36
Medical Supplies	30,915.06	22,403.37
Office Equipment	2,261.23	2,931.79
Pauper Burials	70,983.26	58,876.91
Plant Hire	18,972.10	35,673.43
PMS Review	-	105,870.82
Postage & Stamps	96,641.43	56,766.69
Printing and Stationery	423,099	343,778
Project Hand Overs		28,367
Purchases: Electricity	560,723	487,935
Purchases: Water	109	1,858
Refreshments	93,696	77,967
Refuse Removal	1,066,833	583,578
Rental: Copiers	516,909	405,268
Road Signs	1,683	15,799
Sector Plans		-
Security	1,291,829	1,432,673
Small Scale Disasters	14,896	19,496
Social Empowerment	148,526	123,922
Spatial Development Framework		-
Special Projects	4,000	1,033,707

	2010	2009
Sports Promotion	436,036	294,962
Subscriptions	10,397	116,041
Subsistance and Travelling	541,809	1,306,553
Sundries	10,371	15,679
Telephones	1,077,303	1,059,530
Tools	1,356	3,081
Town Planning	54,383	101,313
Training	16,573	387,241
Transport/Vehicle Cost	757,433	1,220,319
Valuation Fees	163,647	489,153
Ward Committees	101,755	250,554
Water Quality Monitoring	2,822	-
Workmans Compensation	14,473	10,645
Youth Desk	104,698	52,420
	10,984,432	16,570,670

33 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:		
- approved and contracted for		
Infrastructure	4,000,000	4,261,073
Land and buildings		
Refuse disposal site		
Taxi rank		
Community	-	725,712
Vehicles and equipment		
- approved but not yet contracted for		
Infrastructure	9,200,000	10,400,000
Land and buildings	1,580,000	
Taxi rank		
Refuse disposal site		
Community	9,450,000	5,981,336
Vehicles and equipment		
	24,230,000	21,368,121
This expenditure will be financed from		
- capital replacement reserve	3,730,000	1,695,712
- government grants	20,500,000	4,261,073
- external loans	-	15,411,336
-	24,230,000	21,368,121

34 RETIREMENT BENEFIT INFORMATION

Certain Councillors and Certain employees belong to defined benefit plan of the Natal Joint Superannuation and Retirement funds, and theMunicipal Councillors'Pension Fund. Employees of uMshwathi make up less 1 % of the total members of the funds. uMshwathi's liability in these funds could not be determined owing mainly to the the assets not being allocated to each Municipality and one set of financials being prepared for each fund and not per municipality. These funds are subject to a triennial acturial valuation. The last valuation was performed in 2005.

Current Year's Contribution	3,668,815	3,260,237

34.1 SUPERANNUATION FUND

The actuarial value of total assets was R121,7 million more than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

34.1.1. surplus of R 210 million in respect of pensioners (funding level 119,4%)
34.1.2. deficit of R 88,3 million in respect of members (funding level 95 %)
34.1.3. the fund was thus 104,3% funded
34.1.4. the fund did not hold an investment reserve.
34.1.5. the total contribution rate payable, including the surcharge by and on behalf of members, exceeded that required for future service by 1,41% of member's pensionable emoluments
34.1.6. An additional contribution by way of a surcharge amounting to 6% of salaries is currently in place to fund the deficit.This surcharge will reduce to 4,5 per cent with effect from 1 July 2007.

	2010	2009

34.2 RETIREMENT FUND

The actuarial value of total assets was R140,9 million less than the actuarial value of the liabilities for service of members to that date and for pensioners, made up as follows

34.2.1. surplus of R63,4 million in respect of pensioners (funding level 116,2%)
34.2.2. deficit of R204,3 million in respect of members (funding level 73,0%)
34.2.3. the fund was thus 87,7% funded
34.2.4. the fund did not hold an investment reserve
34.2.5. the total contirbution rate payable (including the surcharge of 14% payable jointly by pre-1 July 2002 members and by employers on their behalf) exceeded that required for future service by 12,59% of members pensionable emoluments.This should be sufficient to eliminate the deficit by 2010 provided that salary increases do not exceed CPIX plus 0,5 %.

35 CONTINGENT LIABILITIES

There are no contingent liabilities

36 IRREGULAR EXPENDITURE

The due SCM process was not followed in the appointment of the IT consultant. The consultant was initially appointed to assist in an emergency and his appointment to provide IT services on an an on-going basis was motivated by the former chief financial officer. - 498,415

Three quotations were not obtained for the following expenditure:

Transport: Hlongwane Taxis		3,900
Training: Endless Horizon		2,734
Accomodation: Protea Hotels		2,730
Entertainment: Mayibuye Ma Africa		2,000
Transport: S.S. Zondi		8,500
Entertainment: Faith Shares Music Reunion		5,000
Catering: Albert Falls Guest Lodge		5,106
	-	29,970
Total	-	528,385

Note 37

Reconciliation of Actual and Budget Information

Details	Original Budget	Adjustments (S 28)	Final Budget	Actual	Unauthorised Expenditure	Variance	Actual as % of Final Budget	Actual as % of Original Budget
Revenue								
Property Rates	11,078,796.00	-250,000.00	10,828,796.00	10,940,607.00		111,811.00	101.03%	98.75%
Service Charges	1,400,000.00		1,400,000.00	1,403,434.00		3,434.00	100.25%	100.25%
Investment Revenue	500,000.00	-250,000.00	250,000.00	307,918.00		57,918.00	123.17%	61.58%
Grants: Operational	35,084,000.00	1,375,000.00	36,459,000.00	31,731,643.00		-4,727,357.00	87.03%	90.44%
Other Revenue	7,254,500.00	-933,500.00	6,321,000.00	7,778,878.00		1,457,878.00	123.06%	107.23%
	55,317,296.00	**-58,500.00**	**55,258,796.00**	**52,162,480.00**	**0.00**	**-3,096,316.00**	**5.35**	**4.58**
Expenditure								
Employee Costs	22,661,542.00		22,661,542.00	21,605,588.00		-1,055,954.00	95.34%	95.34%
Councillor Allowances	4,212,600.00		4,212,600.00	3,950,012.00		-262,588.00	93.77%	93.77%
Depreciation	1,750,000.00	3,366,000.00	5,116,000.00	6,064,456.00		948,456.00	118.54%	346.54%
Interest Paid	1,500,000.00	600,000.00	2,100,000.00	2,647,914.00		547,914.00	126.09%	176.53%
Repairs and Maintenance	6,356,000.00	-1,558,500.00	4,797,500.00	3,447,577.00		-1,349,923.00	71.86%	54.24%
Other Expenditure	18,837,000.00	-2,466,000.00	16,371,000.00	11,627,522.00		-4,743,478.00	71.03%	61.73%
	55,317,142.00	**-58,500.00**	**55,258,642.00**	**49,343,069.00**	**0.00**	**-5,915,573.00**	**5.77**	**8.28**
Surplus/Deficit	**154.00**	**0.00**	**154.00**	**2,819,411.00**	**0.00**	**2,819,257.00**		
Capital Recognised				16,840,132.00	Budgeted Surplus	154.00		
				19,659,543.00				

APPENDIX A
uMSHWATHI LOCAL MUNICIPALITY : SCHEDULE OF EXTERNAL LOANS AT 30 JUNE 2010

EXTERNAL LOANS	Loan Number	Interest rate	Redeemable	Balance at 2009/06/30	Received during the year	Redeemed or written off during the year	Balance at 2010/06/30	Carrying value of property plant & equip.
				R	R	R	R	R
ANNUITY LOAN								
FIRST NATIONAL BANK		Prime less 1,00 %	2018/03/31	5,335,935	5,000,000	410,592	9,925,343	
DEVELOPMENT BANK		9,4 %		18,698,989	0	659,577	18,039,413	
TOTAL EXTERNAL LOANS				24,034,924	5,000,000	1,070,169	27,964,756	0

APPENDIX B

uMSHWATHI LOCAL MUNICIPALITY : ANALYSIS OF PROPERTY,PLANT AND EQUIPMENT AT 30 JUNE 2010

	Cost/ Revaluation					Accumulated Depreciation				Carrying Value	Budget Additions 2010
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance		
Land and Buildings											
Land	12,274,086	179,008			12,453,094	825,953			825,953	11,627,141	750,000
Buildings	32,898,630	2,059,094	1,174,143		36,131,867	3,231,748	793,432		4,025,180	32,106,688	3,420,000
Dams and boreholes	0				0	0			0	0	0
	45,172,716	2,238,102	1,174,143	0	48,584,962	4,057,701	793,432	0	4,851,133	43,733,829	4,170,000
Infrastructure											
Water reticulation	5,900	6,763	3,609,503		3,622,166	0			0	3,622,166	8,814,000
Sewer reticulation	0				0	0			0	0	0
Construction works	38,395,473	12,047,738	202,034		50,645,245	11,878,171	4,462,320		16,340,491	34,304,754	22,950,000
	38,401,373	12,054,502	3,811,536	0	54,267,411	11,878,171	4,462,320	0	16,340,491	37,926,920	31,764,000
Other Assets											
Office and computer equipment	456,809				456,809	484,107	370,802		854,909	-398,100	750,000
Furniture and fittings	1,338,481				1,338,481	498,317			498,317	840,164	0
Tools	71,889				71,889	64,968			64,968	6,921	0
Motor vehicles and major equipment	3,296,223				3,296,223	1,761,148	263,971		2,025,119	1,271,104	0
Machinery	429,539				429,539	229,276			229,276	200,263	250,000
Air conditioners	138,920				138,920	76,198			76,198	62,722	0
Other	138,018				138,018	37,722	99,562		137,284	734	0
	5,869,879	0	0	0	5,869,879	3,151,736	734,335	0	3,886,071	1,983,808	1,000,000
Total	89,443,968	14,292,604	4,985,680	0	108,722,252	19,087,608	5,990,087	0	25,077,695	83,644,557	36,934,000

APPENDIX C

uMSHWATHI LOCAL MUNICIPALITY : SEGMENTAL ANALYSIS OF PROPERTY,PLANT AND EQUIPMENT AT 30 JUNE 2010

	Cost/ Revaluation					Accumulated Depreciation				Carrying Value
	Opening Balance	Additions	Under Construction	Disposals	Closing Balance	Opening Balance	Additions	Disposals	Closing Balance	
Executive and Council	13,477,592	484,937			13,962,529	1,209,770			1,209,770	12,752,759
Finance and Admin	18,158,112				18,158,112	3,912,376	370,802		4,283,178	13,874,934
Health	72,820				72,820	72,819			72,819	1
Community & Social Services	14,288,915	1,759,928	4,783,646		20,832,490	2,406,807	795,686		3,202,493	17,629,997
Public Safety	852,806				852,806	455,777	71,263		527,040	325,766
Waste Management	675,729				675,729	82,806			82,806	592,923
Road Transport	40,776,246	12,047,738	202,034		53,026,018	10,102,600	4,462,320		14,564,920	38,461,098
Water	0				0	0			0	0
Other	1,141,748				1,141,748	844,653	290,015		1,134,668	7,080
	89,443,968	14,292,604	4,985,680	0	108,722,252	19,087,608	5,990,087	0	25,077,695	83,644,557

APPENDIX D

uMSHWATHI LOCAL MUNICIPALITY : SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2010

2009 Actual Income R	2009 Actual Expenditure R	2009 Surplus/ (Deficit) R		2010 Actual Income R	2010 Actual Expenditure R	2010 Surplus/ (Deficit) R
46,422,505	32,291,782	14,130,723	Executive and Council	60,607,922	28,991,884	31,616,039
45,552	10,272,451	(10,226,899)	Finance and Admin	4,857,042	22,063,964	(17,206,923)
-		-	Planning and Development			-
	275,634	(275,634)	Health		718,556	(718,556)
27,309	167,556	(140,247)	Community & Social Services	1,761,333	4,084,641	(2,323,308)
-		-	Housing			-
185,505	427,305	(241,800)	Public Safety	183,213	1,478,387	(1,295,174)
-		-	Sport and Recreation			-
-		-	Environmental Protection			-
1,345,547	597,944	747,603	Waste Management	1,403,434	2,025,602	(622,167)
8,097,906	1,991,600	6,106,306	Road Transport	16,897,442	6,711,487	10,185,955
-		-	Water			-
1,587,816	1,720,648	(132,832)	Other	-	-	-
0	0	-				
57,712,140	47,744,920	9,967,220	Sub - total	85,710,386	66,074,521	19,635,866
			Less : Inter departmental charges			
57,712,140	47,744,920	9,967,220		85,710,386	66,074,521	19,635,866

APPENDIX E (1)

uMSHWATHI LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET (REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2010

REVENUE	2010 Actual R	2010 Budget R	2010 Variance R	2010 Variance %	Explanation of significant variances
Property rates	10,940,607	10,828,796	111,811	1	
Property rates - penalties imposed and collection charges	904,997	800,000	104,997	13	This is mainly due to the increase in rates debtors
Service charges	1,403,434	1,400,000	3,434	0	
Rental of facilities and equipment	155,469	200,000	(44,531)	(22)	All properties were not rented out and the income from rentals was overbudgeted
Interest earned - external investments	307,918	250,000	57,918	23	This was due to the fluctuations in the interest rates.
Interest earned - outstanding debtors	4,513,865	3,250,000	1,263,865	39	The large increase is due to the increase in debtors.
Fines	183,213	400,000	(216,787)	(54)	This is as result of non payment of traffic fines. Initiatives have been taken to recover outstanding fines
Licences and permits			0		
Income for agency services	1,744,592	1,500,000	244,592	16	The increase is mainly due to increased in take of learner licences
Government grants and subsidies	31,731,643	36,459,000	(4,727,357)	(13)	A portion of the equitable share was held back to re-imburse unspent grants
Other income	276,742	171,000.00	105,742	(62)	
MIG Funds	16,840,132				
Gain on disposal of property,plant and equipment	-	-	-		
Total Revenue	69,002,613	55,258,796	(3,096,316)	(6)	
EXPENDITURE					
Employee related costs	21,605,588	22,661,542	(1,055,954)	(5)	All budgeted posts were not filled.
Remuneration of Councillors	3,950,012	4,212,600	(262,588)	(6)	The approved increase was lower than budgeted for.
Bad debts			-		
Collection costs	399,203	150,000	249,203	166	The increase is due to stricter steps being taken to collect outstanding debt.
Amortisation of Intangible Assets	64,369				
Depreciation	5,990,087	5,116,000	874,087	17	The budget for depreciation was under budgeted
Repairs and maintenance	3,447,577	4,797,500	(1,349,923)	(28)	Certain expenditure that was budgetd for was not carried out.
Interest paid	2,647,914	2,100,000	547,914	26	The budget for Interest and Redemption was under budgeted
Bulk purchases			-		
Contracted services	253,888	400,000	(146,112)	(37)	Attempts were made to reduce the use of consultants.
Grants and subsidies paid			-		
General expenses	11,008,110	15,771,000	(4,762,890)	(30)	Certain expenditure that was budgetd for were not incurred.
Contribution to Reserves	0	50,000	(50,000)	(100)	There was no need to increase the leave reserve.
Total Expenditure	49,366,747	55,258,642	(5,956,263)	(11)	
Surplus (Deficit) for the year	19,635,866	154	2,859,948		

APPENDIX E (2)

uMSHWATHI LOCAL MUNICIPALITY : ACTUAL VERSUS BUDGET(ACQUISITION OF PROPERTY.PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2010

	2010 Actual	2010 Under Construction	2010 Total Additions	2010 Budget	2010 Variance	2010 Variance	Explanation of significant variances
	R	R	R	R	R	%	
Infrastructure	6,763	3,609,503	3,616,266	8,814,000	(5,197,734)		Approved DoE Funding was only made available towards the latter part of the year.
Construction works	12,047,738	202,034	12,249,772	22,950,000	(10,700,228)	(47)	MIG Funding for certain projects for D 1017 was from the
	12,054,501	3,811,537	15,866,038	31,764,000	-15,897,962	(50)	District and the asset is that of the province thus not capitalised by the municipality.
Community Assets							
Land	179,008	0	179,008	750,000	(570,992)		
Buildings	2,059,094	1,174,143	3,233,237	3,420,000	(186,763)	(5)	
	2,238,102	1,174,143	3,412,245	4,170,000	-757,755	(18)	
Other Assets							
Office and accounting machines	0		0	750,000	(750,000)		Due to cash flow constraints computers were not replaced
Furniture and fittings	0		0	0	-		
Radios	0		0		-		
Machinery	0		0	250,000	(250,000)		Due to cash flow constraints certain machinery was not replaced.
Tools	0		0		-		
Air conditioners	0		0		-		
Vehicles	0		0		-		
Other				0			
	0	0	0	1,000,000	(1,000,000)	(100)	
Total	**14,292,603**	**4,985,680**	**19,278,283**	**36,934,000**	**(17,655,717)**	**(48)**	

APPENDIX F

UMSHWATHI LOCAL MUNICIPALITY - DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, ACT 56 OF 2003

Description	Name of organ of State	Unspent balance at 1 July 2009	Received 2009/2010	Expenditure 2009/2010	Transfer 2009/2010	Unspent balance at 30 June 2010	Grants delayed/ withheld	Reason for delaying/ withholding funds	Compliance with grant conditions	Reason for non-compliance
		R	R	R	R	R	R		YES/NO	
MIG		3,509,596	17,555,000	(16,840,132)	-1,330,000	2,894,463			YES	
GRANTS - GENERAL		58,025				58,025			YES	
CMIP ROADS		0				0			YES	
CMIP - CEMETERY		0				0			YES	
CMIP - OFFICES		0				0			YES	
BASIC SERVICES		0				0			YES	
TRANSITIONAL GRANT		0				0			YES	
CMIP - OFFICES		0				0			YES	
MSIG		0				0			YES	
DISTRICT COUNCIL		0				0			YES	
INDIGENT SUPPORT		0				0			YES	
MAP		104,280		(104,280)		0			YES	
CCI		0				0			YES	
TOURISM		0				0			YES	
FMG		0				0			YES	
MSIG		0	500,000	(241,373)		258,627			YES	
HOUSING PLAN		0	78,301	(11,400)		66,901			YES	
DPLG		236,638	22,000	(258,638)		0			YES	
PROPERTY RATES		0				0			YES	
MFMA		0				0			YES	
INTER DEPARTMENTAL		0				0			YES	
CDW		0				0			YES	
PLANNING		0				0			YES	
REGIONAL COUNCIL- CRECHE		0				0			YES	
REGIONAL COUNCIL - CEMETERY		0				0			YES	
REGIONAL COUNCIL - TAXI RANK		0				0			YES	
LED		0				0			YES	
FINANCE MANAGEMENT		1,318,649	1,500,000	(2,818,649)		0			YES	
COMMUNITY PARTICIPATION		0				0			YES	
		5,227,188	19,655,301	(20,274,472)	-1,330,000	3,278,017				

Chapter 7

AUDITOR GENERAL'S REPORT

AUDITOR'S REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE UMSHWATHI MUNICIPALITY

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the uMshwathi Municipality, which comprise the statement of financial position as at 30 June 2010, and the statement of financial performance, statement of changes in net assets and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information as set out on pages xx to xx.

Accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the South African Standards of Generally Recognised Accounting Practice (SA Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA). This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor-General's responsibility

3. As required by section 188 of the Constitution of South Africa, 1996 (Act No. 108 of 1996), section 4 of the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.

4. I conducted my audit in accordance with International Standards on Auditing and *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

7. In my opinion, the financial statements present fairly, in all material respects, the financial position of the uMshwathi Municipality as at 30 June 2010 and its financial performance and its cash flows for the year then ended in accordance with the SA Standards of GRAP and in the manner required by the MFMA.

Emphasis of matter

8. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Restatement of corresponding figures

9. As disclosed in note 26 to the financial statements, the corresponding figures for the 30 June 2009 have been restated as a result of an error discovered during 2009/2010 in the financial statements of the uMshwathi Municipality at, and for the year ended 30 June 2009.

Additional matter

10. I draw attention to the matter below. My opinion is not modified in respect of this matter:

Unaudited supplementary schedules

11. The supplementary information set out on pages xx to xx does not form part of the financial statements and is presented as additional information. I have not audited these schedules and accordingly I do not express an opinion thereon.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

12. As required by the PAA and in terms of *General Notice 1570 of 2009* issued in *Government Gazette 32758 of 27 November 2009*, I include below my findings on the report on predetermined objectives, compliance with the following key laws and regulations: the MFMA, Municipal Systems Act of South Africa, 2000 (Act No. 32 of 2000) (MSA), and financial management (internal control).

Predetermined objectives

13. Material findings on the report on predetermined objectives, as set out on pages xx to xx are reported below:

Non-compliance with regulatory and reporting requirements

Internal auditing of performance measurements

14. The internal auditors of the municipality did not audit the performance measurements on a continuous basis and did not submit quarterly reports on their audits to the municipal manager and the performance audit committee as required by section 45 (a) of the MSA.

Functioning of performance audit committee

15. The audit committee functioning as the performance audit committee did not review the quarterly reports of internal audits as required by section 166(2) (a)(v) of the MFMA and section 14(4)(a) of the Municipal Planning and Performance Management Regulations,

2001, as the required reviews were not conducted by internal audit.

Lack of implementation of a performance management system

16. The municipality did not implement a framework that describes and represents how the municipality's cycle and processes of performance planning, monitoring, measurement, review, reporting and improvement will be conducted, organised and managed, including determining the roles of the different role players, as required in terms of sections 36, 38 and 41(2) of the MSA, and regulations 7 and 8 of the Municipal Planning and Performance Management Regulations, 2001.

Content of the integrated development plan

17. The integrated development plan of the uMshwathi Municipality did not include the key performance indicators and performance targets determined in terms of its performance management system, as required by sections 26(i) and 41(1)(b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001. However, the annual performance report submitted for audit included the performance indicators and targets.

Reliability of reported performance information

18. The following criteria were used to assess the reliability of the planned and reported performance:

    - Validity: Has the actual reported performance occurred and does it pertain to the entity i.e. can the reported performance information be traced back to the source data or documentation?
    - Accuracy: Amounts, numbers and other data relating to reported actual performance has been recorded and reported appropriately.
    - Completeness: All actual results and events that should have been recorded have been included in the reported performance information.

The following audit finding relates to the above criteria:

Reported targets not reliable as inadequate supporting source information was provided

19. For the reported targets relating to the objective, Basic service delivery and Municipal Transformation and Institutional Development, that are material by nature, the validity, accuracy and completeness of the target could not be established as relevant source documentation could not be provided for audit purposes:

Compliance with laws and regulations

Included below are findings related to material non-compliance with the acts as indicated:

Municipal Systems Act, No 32 of 2000 (MSA)

20. Contrary to the requirements of Section 57 (4) of the Municipal Systems Act, performance evaluations of senior managers were not conducted.

INTERNAL CONTROL

21. I considered internal control relevant to my audit of the financial statements and the report on predetermined objectives as well as compliance with the MFMA and MSA, but not for the purpose of expressing an opinion on the effectiveness of internal control.

22. The matters reported below are limited to the findings on the report on predetermined objectives and the findings on compliance with laws and regulations.

- **Leadership**

23. The accounting officer does not exercise oversight responsibility over reporting on predetermined objectives and compliance with laws and regulations and internal control. Actions are not taken to address risks relating to the achievement of complete and accurate performance reporting. Control weaknesses are not analysed and appropriate follow-up actions are not taken that address risks relating to the achievement of performance reporting objectives.

- **Financial and performance management**

24. Systems are not appropriate to facilitate the preparation of quality performance reports. The financial statements were subject to material amendments resulting from the audit. Adequate supporting documentation relating to the audit on pre-determined objectives were not made available for audit purposes.

- **Governance**

25. Internal controls are not selected and developed to prevent, detect and correct material misstatements on reporting on predetermined objectives. Management does not assess the likelihood of risks in ensuring that planned and reported targets are supported by adequate documentation. A risk strategy/action plan was not determined to manage identified risks relating to predetermined objectives.

Pietermaritzburg

30 November 2010

AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

Chapter 8

WAY FORWARD

STRATEGY FOCUS

The strategic positioning of uMshwathi Municipality will be anchored on four core pillars to make the municipality and its people competitive and distinguishable from other municipalities of similar size. These pillars are a focus on:

- growing the local economy to create sustainable job opportunities, reduce poverty and increase the revenue base of the municipality;
- addressing service delivery backlogs, meeting basic needs of the people, and providing free basic services;
- improving educational attainment levels of the area and skills development of all people, especially the youth, women and other vulnerable groups; and
- forging strategic partnerships with the District Municipality and other stakeholders to realize the vision of the Municipality